

Bosnia Serbs and Moslems edge nearer agreement

Bosnian Serbs and Moslems appeared to be inching closer towards a settlement after officials announced that Bosnian president Alija Izetbegovic and Bosnian Serb leader Radovan Karadzic had agreed to a ceasefire and an early exchange of prisoners. Page 16

Split in Tokyo coalition: Divisions appeared in Japan's coalition government. Prime minister Morihiro Hosokawa was told by a coalition partner not to be distracted by economic and foreign policy at the expense of political reform. Page 16: Economy the power-broker. Page 5

Changes at Hutchison Whampoa:



Simon Murray (left) stepped down as managing director of Hutchison Whampoa, Hong Kong's largest conglomerate. Fellow director Canning Fok takes over in a switch which crystallises the group's evolution from British-style trading company to Chinese corporation. Mr Fok is regarded as a stand-in for Richard Li, who was promoted to deputy chairman. Page 17

Danish budget for jobs: The Danish government plans to pump an extra DKK12bn (\$1.5bn) into the economy in a budget designed to cut unemployment. Page 16

Ferruzzi capital shake-up: Shareholders in Ferruzzi Finanziaria (Ferfin), Italy's second biggest private-sector company after Fiat, approved a radical capital restructuring to tackle group borrowings of L28.888bn (\$17.5bn). Page 17

Linde profits down: Linde, the German engineering group, announced a fall of more than a third in pre-tax profits for the first six months of the year. It predicted profits for the full year would also be down. Page 16

Brussels backs French: The French campaign for changes in Europe's draft farm trade accord with the US gained ground when the Belgian presidency of the EC said it was open to "a certain renegotiation" of the deal. Page 8

Algerian executions: Algeria executed seven Moslem fundamentalists convicted of involvement in a bomb attack last year at Algiers airport in which nine people died. Among those executed was a pilot with the state airline.

Blow to Elf Aquitaine: Elf Aquitaine, the French oil and gas group and one of the companies that will spearhead Paris's privatisation campaign, announced a drop of almost 60 per cent in first-half profits after a write-down of oil assets. Page 17

Bonn 'impeding growth': The Federation of German Industry (BDI) accused the government of hindering economic growth and adding to pressures on business through higher taxes. West putting stress on business. Page 2

Nigerian poll pledge: Ernest Shonekan, head of Nigeria's unelected government, promised elections within seven months as pro-democracy strikes paralysed Lagos, the country's commercial capital. Page 5

Bechtel rescued: Bechtel, one of Germany's oldest plant manufacturers, was rescued from bankruptcy. Page 17

Gatt deadline set: Trade envoys from 115 countries agreed on December 15 as the deadline for completing a Uruguay Round treaty on tariff-cutting.

Russian treasury plan: Russia is to set up a federal treasury which could act as a substitute for the central bank in the key areas of budget implementation and control. Page 3

CS Holding surge: CS Holding, financial services group built around Swiss bank Credit Suisse, reported a 65 per cent jump in first-half net income to Sfr684m (\$600m). Page 18

Earth moved for Okushiri: An earthquake which rocked northern Japan in July moved the small island of Okushiri about two yards westward, Japan's construction ministry said.

Correction: Yesterday's issue of the Financial Times carried a map on the front page showing that Israel withdrew from occupied Sinai in 1978. The withdrawal in fact took place in phases between 1979 and 1982.

STOCK MARKET INDICES

FT-SE 100: 3108.0 (-0.6)
Yield: 3.7
FT-SE Eurotrack 100: 1319.96 (+11.81)
FT-Air Share: 1537.21 (+4.09)
Nikkei: 21,088.00 (+113.97)
New York Composite: 3,642.15 (-0.34)
Dow Jones Ind Ave: 3,642.15 (-0.34)
S&P Composite: 462.28 (+0.38)
E Index: 95.5 (95.8)

US LUNCHTIME RATES

Federal Funds: 3.25%
3-mo Treasury Bill: 3.025%
Long Bond: 102%
Yield: 5.022%

LONDON MONEY

3-mo interbank: 5.12% (5.12%)
Life long gilt future: Sep 114.5 (Sep 113.7)

NORTH SEA OIL (Aug/Sept)

Brent 15-day (Oct): \$17.00 (17.35)
Yield: 104.7 (103.5)

Gold

New York Comex (Sep): \$373.0 (373.0)
London: \$371.35 (369.0)

STERLING

New York Composite: 3,642.15 (-0.34)
Dow Jones Ind Ave: 3,642.15 (-0.34)
S&P Composite: 462.28 (+0.38)
E Index: 95.5 (95.8)

DOLLAR

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YEN

Palestinians split on peace deal as Israel steps up talks

By Julian O'Connell in Jerusalem

DIVISIONS within the Palestinian movement over a proposed peace agreement with Israel widened yesterday as Israel started a round of intense secret contacts with the Palestine Liberation Organisation in Europe. Senior PLO and Israeli officials continued to insist an agreement on Palestinian self-rule would be signed within two weeks. But senior Palestinian negotiators from within the Israeli-occupied territories raised serious objections to the deal.

The agreement provides for an Israeli withdrawal from the Gaza Strip and West Bank town of Jericho, the handover of the two areas to full-Palestinian authority, and a lesser degree of self-rule elsewhere in the West Bank. As the US-sponsored Middle East peace negotiations entered their 11th round in Washington, Mr Warren Christopher, secretary of state, called the accord "a conceptual breakthrough". The European Community also welcomed the deal.

But Iran denounced the agreement as an Israeli bribe to the PLO. Jordan and Syria were said to be concerned about it and Lebanon became the first Arab state to make public its reservations. However, Mr Mouwafiq al-Araf, Syria's chief negotiator in Washington, said progress between Israel and the Palestinians would boost peace talks between Israel and other Arab states.

By Julian O'Connell in Jericho

THE *moshav* of Na'ma - one of Israel's many settlements in the occupied West Bank - lies in the floor of the sun-baked Jordan valley. The co-operative farm's pre-fabricated houses, many unoccupied, and the empty plots of ploughed earth bear witness to the temporary nature of Israel's settlement policy in such a barren area. If the Gaza-Jericho peace plan between Israel and Palestinians is signed in Washington this week, Israeli troops will withdraw from an enclave around

■ Shocked Palestinians question price of deal
■ Close links likely to remain in economic reconstruction
■ Arab leaders hide misgivings
PAGE 4

Mr Faisal Hussein, the leading Palestinian political figure in the occupied territories, yesterday insisted Israel should drop its refusal to talk about occupied east Jerusalem. According to Israeli interpretations of the deal the PLO has given up its claims over east Jerusalem until final status talks commence two years after the interim period of self-rule begins.

"I cannot accept there will be no talks on the future of Jerusalem for two years," he told Liberation, the French newspaper. "If anyone believes we Palestinians can do without east Jerusalem he is completely mistaken... It is the stumbling block in the talks."

Mrs Hanan Ashrawi, Palestinian spokeswoman, also said a lot of details still had to be worked out and she cautioned against "getting carried away by signals and symptoms before we have something really tied down".

Israel was also last night moving closer to official recognition of the PLO after a PLO official said the organisation's charter, which calls for the return of all lands which now make up the Jewish state, was null and void. Mr Uri Baran, Israeli labour minister, said the PLO recogni-



Members of a Palestinian guerrilla group spray slogans condemning the peace accord on a wall in Sidon

tion could be signed in tandem with a preliminary peace package. "We are ready," said Mr Yossi Beilin, deputy foreign minister.

But there were conflicting signals over the conditions Israel might attach to such recognition. Mr Beilin said the PLO would have to delete clauses from its founding charter calling for "armed struggle" and the destruction of the Jewish state.

This may be difficult for the PLO. Both Mr Beilin and Mr Yasser Arafat, PLO chairman, said separately the agreement could be implemented within four months. Mr Beilin said Israel and the Palestinians would begin talks to discuss how to implement the Gaza-Jericho scheme, how to achieve early empowerment of Palestinians in the rest of the West Bank, and how to hold Palestinian elections.

Israel's foreign ministry said Mr Uri Saver, its director-general, had left for Europe for secret talks with PLO officials which would iron out final details of an agreement.

Objections from Palestinians from the occupied territories over East Jerusalem could fuel internal Palestinian conflict. However, an opinion poll published yesterday said 74 per cent of Palestinians supported the agreement.

Hope, dust and fear in occupied zones

By Julian O'Connell in Jericho

THE *moshav* of Na'ma - one of Israel's many settlements in the occupied West Bank - lies in the floor of the sun-baked Jordan valley. The co-operative farm's pre-fabricated houses, many unoccupied, and the empty plots of ploughed earth bear witness to the temporary nature of Israel's settlement policy in such a barren area. If the Gaza-Jericho peace plan between Israel and Palestinians is signed in Washington this week, Israeli troops will withdraw from an enclave around

Jericho, a small, ancient dusty town of cafes, fruit stalls and curio shops strewn with Pepsi-Cola bunting.

The 25 Jewish families who live in Na'ma, wedged in the middle of the future Palestinian-controlled territory, will become guinea pigs for a new form of co-existence between Israelis and Palestinians after decades of mistrust and bloodshed.

"We are going to be the test here in Na'ma," said Mrs Ana Meller, a Russian immigrant who has lived eight years on the farm. "In the past five years there has been a lot of hatred

between us and the Arabs. Each time I took my workers to the fields, I was afraid they were going to stab me. I don't want to live like this any more. We must change."

Like Mrs Meller, many farmer-settlers in the Jericho area are supporters of the Labour party, which leads Israel's coalition government, and their farms are subsidised by the labour movement. They moved to the Jordan valley largely because of economic incentives offered by previous governments. They are not fanatical Zionists. A vast majority support the Gaza-Jericho

plan, despite fears about what the future may hold.

"If this is the price we have to pay so that my children don't have to go to fight like I did and my father did and my grandfather did then it's okay," said Mr Ryal Levi, a vegetable farmer living at Na'ma.

"Our main problem is security. We just don't know what is going to happen. Maybe there will be a problem, maybe not. We hope not."

The Gaza-Jericho plan allows for continued existence of Na'ma and other settlements whose agriculture depends on the

underground springs running through Jericho. Mr Levi and most of the settlers near Jericho would like to stay after the Palestinians take control.

But Mr Levi and Mrs Meller say that if the security situation deteriorates they are prepared to take government compensation and leave Na'ma.

Not all West Bank settlers are as moderate. A small minority in Na'ma - supporters of the religious Tzomet party - threatened yesterday to burn their houses if they were forced one day to

Revised GDP figures suggest 'mild' 1990-91 recession

Pace of US growth outstrips quarterly forecasts

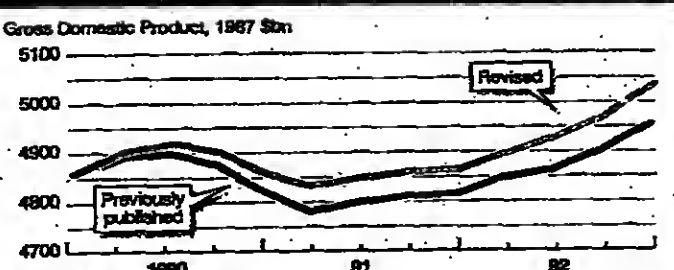
By Michael Prowse in Washington

THE US economy grew at an annual rate of 1.8 per cent in the second quarter this year, nearly twice as fast as most Wall Street analysts expected, revised figures from the Commerce Department indicated yesterday.

Officials also announced the biggest revision to earlier estimates of growth in gross domestic product for 30 years. The new figures show that the economy grew at a real rate of 3.9 per cent in the year to the fourth quarter of 1992 - a period in which candidate Bill Clinton capitalised on the supposed economic failure of former president George Bush.

Analysts had predicted growth at an annual rate of just 1 per cent in the second quarter following the release of unexpectedly poor trade figures for June. However, the impact of the trade figures was more than offset by upward revisions to federal, state and local government spending and a larger-than-expected

US recovery: the good news gap



increase in corporate inventories.

The composition of growth was encouraging, with consumer spending and business investment increasing at annual rates of 3.2 per cent and 14.4 per cent respectively.

GDP grew at an annual rate of 0.8 per cent in the first quarter, as consumers retrenched after a binge at the end of last year when GDP grew at a revised annual rate of 5.7 per cent, the fastest since 1987.

Figures for consumer confidence released yesterday showed no improvement in August, despite passage of President Clinton's budget, which ended uncertainty about future tax rates.

The closely watched index compiled by the Conference Board, a New York business analysis group, registered 59 in August, unchanged from July and far below the readings of 100 plus that would be normal in a robust recovery.

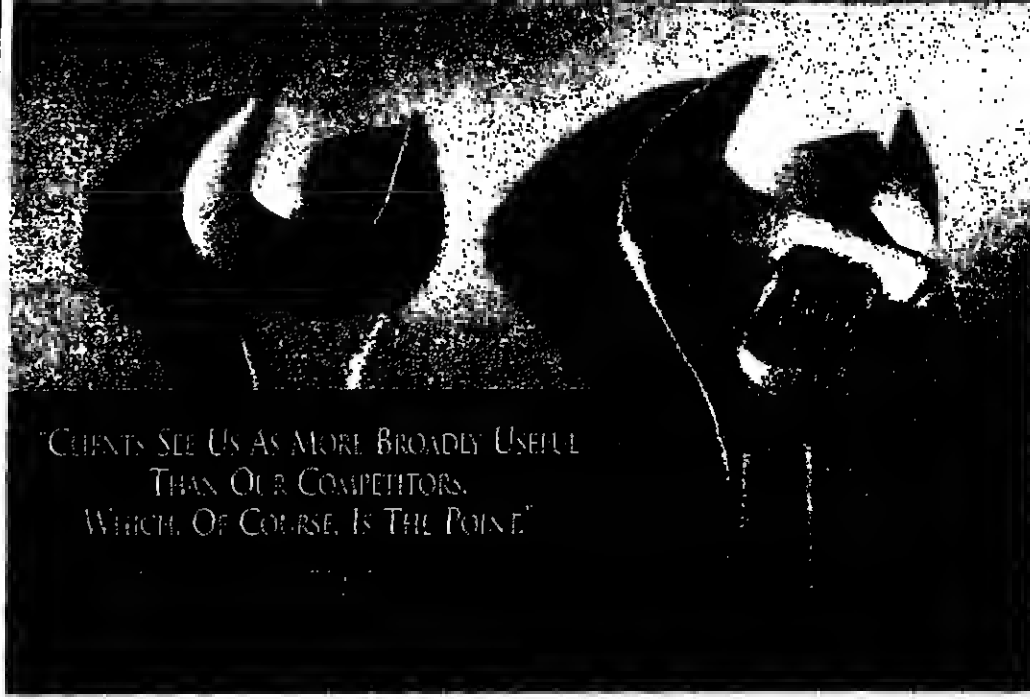
Mr Fabian Linden, for the Conference Board, said confidence

had "dropped a disconcerting 18 points" since the beginning of the year. The number of respondents fearing worsening business conditions had steadily risen. There was no sign in the latest consumer survey of an imminent acceleration of economic growth, he said.

Most private sector economists, however, are still predicting a revival of growth in the second half to an annual rate of 2.5-3 per cent, reflecting the stimulative effect of recent falls in long-term interest rates.

The benchmark revisions to GDP amounted to a rewriting of economic history. The new figures suggest that the recession of 1990-91 was mild, with GDP falling only 1.6 per cent from peak to trough, rather than 2.2 per cent as previously thought. The subsequent recovery was stronger with real GDP growing at an average annual rate of 2.4 per cent rather than 2 per cent.

A mild recession, Page 6



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NEWS: EUROPE

Germany's recession is making internal competition fiercer West putting east out of business

By Judy Dempsey
in Berlin

PERSEVERENTLY... high production costs in eastern Germany are preventing the region's companies from competing with their western counterparts and are contributing to a high rate of insolvencies, according to a survey by the Halle Institute for Economic Forecasting (IWH).

A survey of 300 eastern enterprises shows how the recession in western Germany is encouraging companies there to compete for new markets in the east of the country. Faced with "this aggressive price policy", the east is finding it impossible to compete

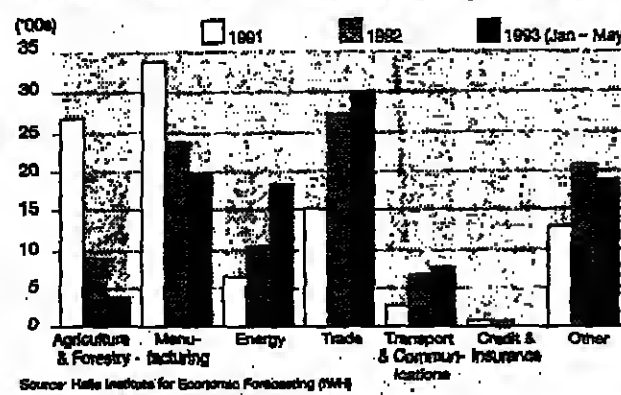
because of its high production costs.

The latter are a result of unrealistically high wages in eastern Germany. These are currently around 80 per cent of western levels, and will reach parity by 1996, despite productivity levels which are lagging behind western Länder, or states, by as much as 70 per cent in some sectors.

Many enterprises bought or set up by local, west German or foreign investors have been cushioned from the effects of high wage costs by investment subsidies.

Nevertheless, the level of insolvencies suggests that a stable and expanding market is far from certain.

Eastern Germany: Insolvencies by sector



For instance, the IWH survey shows that private businesses have chosen to concentrate on

the local market, even for services. What is not clear is at what point this market

becomes saturated or, indeed, if the goods produced will ever be competitive enough to gain a niche in the export sector.

More than 1,155 insolvencies were recorded in 1992 and had already reached that level half way through this year. The rise reflects the end of the consumer boom as indicated by the sharp rise in personal savings. For the first six months of this year, savings rose by nearly DM4bn (\$1.5bn), or 4.5 per cent, compared to the same period last year.

Insolvencies were most marked in construction, the main growth sector in eastern Germany. The percentage of insolvencies was 30 per cent above the 1992 level.

EBRD faces row over loan to Slovak plant

By Kenneth Gooding,
Mining Correspondent

THE EUROPEAN Bank for Reconstruction and Development is considering a \$125m investment in a new aluminium smelter at Ziar nad Hronom in Slovakia to replace a high-pollution plant.

The investment, involving the first big loan since the resignation of Mr Jacques Attali as head of the bank, is bound to create some controversy. There is substantial overcapacity in the aluminium industry and the republic has no bauxite - raw material for aluminium - and no source of cheap energy for what is an energy-intensive process.

However, the bank suggests there would be only a marginal increase in Europe's primary aluminium production capacity because two existing lines, producing 70,000 tonnes a year, would be shut down to make

way for the new smelter, which would produce 108,500-132,000 tonnes annually. It also claims the operating costs would be "well within the lowest third of all smelters" because of the technology employed and because of low labour costs.

Aluminium prices are currently near their lowest levels but the bank says that even if they drop further the smelter company would remain competitive. If, as expected, prices recovered in the medium term, it would be highly profitable, enabling it to clean up past pollution and enabling ZSNP, the state company which owns the existing metallurgical complex, to be privatised.

If the bank's board approves, it would lend up to \$110m and take an equity investment of \$15m in Slovakia, a new company established specifically for the project, and which would employ 500. This would

give the bank 10 per cent of the issued capital but 20 per cent of the votes.

Hydro Aluminium, a subsidiary of Norway's Norsk Hydro, which is supplying key smelter technology, would also invest \$15m for a 10 per cent stake. ZSNP, which would own the rest of Slovakia, has been producing alumina, an intermediate material, aluminium and some aluminium products such as door and window frames since 1953 and currently employs 6,000 people.

The plant started to replace its old smelters in 1986. However, it ran out of money when the project was 65 per cent complete. The bank points out that not completing the new smelter would probably result in a write-off of the \$185m already spent, with no possibility for local banks or the National Property Fund to recover their investments in the project.

New accusation by VW over Opel secrets affair Bonn blamed for impeding growth

By Christopher Parkes
in Frankfurt

ADAM OPEL is doing everything it can to prevent a "factual" discussion of its industrial espionage allegations against Volkswagen executives, while fuelling rumours to destabilise the Wolfsburg group, VW charged yesterday.

Volkswagen employees might also be involved in spreading false stories and media manipulation, in which Opel "played a role", according to Mr Otto Ferdinand Wachs, a VW spokesman.

Mr Wachs was responding to a newspaper report, promptly denied by the legal authorities yesterday, that public prosecutors were considering arresting

Mr José Ignacio López de Arriortúa, the VW production director at the centre of the row between the two groups.

"Interested parties" - which did not include the prosecutors' office, Mr Wachs stressed - might also have an interest in unsettling members of VW's supervisory board, due to meet on Friday to hear a report on an independent internal investigation of the allegations.

Meanwhile, Mr López cancelled a talk he was to have delivered to FDP Liberal Democrat MPs in Nuremberg this week. It is understood he was urged to do so for fear of compromising efforts to bring Mr David Herman, Opel chairman, to the negotiating table with Mr Ferdinand Piëch, VW head.

Mr Günter Rexrodt, economics minister, who is trying to fix a meeting, is a senior FDP member. Mr Otto Lamsdorff, former party chairman, is on the VW supervisory board.

According to Mr Wachs, Mr Herman had shown "no interest at all" in meeting Mr Piëch after further efforts by Mr Rexrodt last Thursday. "Opel always diverts the discussion with new arguments," he said.

General Motors last night dismissed his statements as "absolutely absurd". Opel has said repeatedly that communications can start only if Mr Piëch withdraws insinuations that the company is spearheading a US war against VW and may have planted evidence against Mr López.

THE Federation of German Industry (BDI) yesterday accused the government of impeding economic growth and increasing pressure on businesses through higher taxes, Reuters reports from Bonn.

In a strongly worded report on Germany's competitiveness as a production centre, the BDI said industry was already suffering from a serious cost crisis and losing ground to foreign competitors.

Planned increases in petrol tax, the reintroduction of a "solidarity surcharge" on income tax from 1995, and higher pension contributions, would be a new "cost shock" for German companies and workers, the report said. "Current economic and

financial policy is having the effect of braking growth because it is over-stretching the economy's performance and, through excessive taxes, destroying incentives to perform better," the BDI said.

The industry group expressed concern about the size of Germany's public sector and the level of state debt.

It estimated that the proportion of gross national product accounted for by the state would reach a record 32 per cent this year, well above levels of 36 per cent in the US and 32 per cent in Japan.

"With some exaggeration, these developments mean that Germany is on the way to becoming a state economy," the BDI said.

Boost in view for French television

By David Buchan in Paris

THE Balladur government is planning to give France's audiovisual industry a regulatory and financial boost in an attempt to stem mounting competition from the US.

The moves, according to Mr Alain Carignon, France's communications minister, will include freer investment rules and easier licence renewal for France's three main private TV stations, permission for French or European-made programmes (as distinct from imports from Hollywood) to be interrupted more frequently by advertising breaks, and the appointment of France's current envoy to the UN to be its "ambassador in the C&T talks".

Mr Carignon complained this week that Britain had not incorporated recent EC legislation recommending intra-Community broadcasters carry a majority of EC-made programmes on their airwaves, into its rules on cable and satellite transmission. He warned France might take Britain, which has authorised broadcasts by the TNT and Cartoon satellite channels from September 17, to the European Court of Justice.

His officials estimate that allowing the TF1 and M6 private TV stations to increase the number of advertising breaks in French or EC-made programmes from one to two would earn them an extra FF200m (£22.7m) a year. The French government already directly pays French feature film-makers nearly FF1bn a year, and local TV programme makers over FF700m a year.

The minister plans to present legislation this autumn to raise from 25 to 50 per cent the ceiling on a single shareholder's investment in private TV stations. The government does not intend to privatise the state-owned France 2 and 3 channels. It aims, from autumn 1994, to put station broadcasting training skills to France's 3m jobless on the airwaves once occupied by the La Cinq channel.

Walloon protest flags Belgium's cultural divide

By Andrew Hill in Brussels

AT 8am today a socialist member of the European parliament will hang a black-bordered Walloon flag outside a town hall in eastern Belgium.

Mr José Happart's symbolic gesture is not a belated expression of grief at the death a month ago of Belgium's much loved King Baudouin. He is mourning the day, 30 years ago, when the Belgian government laid down the linguistic frontier between French-speaking Walloons in the south, and Dutch-speaking Flemings in the north.

Belgium's deep linguistic scars, which the late king often had to soothe, run across the small cluster of villages where Mr Happart will stage his protest - the Fourons, or, in Dutch, Voeren.

Equidistant from Maastricht in the Netherlands, Aachen in Germany and Liège in Wallonia, most of the villages' 4,200 inhabitants speak a Germanic dialect. Two-thirds also consider themselves French-speakers. But, in 1963, it was decided that for administrative purposes the villages, instead of staying in Wallonia, would become part of Flanders.

The francophone Happart family has been at the centre of resistance to that decision, fighting for the right to French culture through the Action Fouronnaise campaign. Recently, the tension has only come to the surface in time rows about which regional flag to hoist over the town hall. During the 1970s and early 1980s, however, the villages were caught up in violent demonstrations between Walloon and Flemish militants. The Fourons/Voeren problem was blamed for the collapse of several national coalitions.

Mr Happart and his allies claim that their constant pressure for special treatment of the villages helped shape the recent constitutional reforms in Belgium, which devolved more powers to the country's regional authorities. But he warns: "Every time there's an inter-institutional solution for

the rest of Belgium, people say the Fourons is no longer a problem. But there isn't yet an acceptable solution, so whether it's in the short or medium term, the problem is bound to erupt again."

The French-speakers' blunt demand that the villages be returned to Wallonia, however, seems to have been scaled back. In an interview with the francophone daily, *Le Soir*, published yesterday, Mr Nico Droeven, French-speaking mayor of the Fourons, said he could accept geographical membership of Flanders, provided inhabitants had the right to choose between Flemish or Walloon administrations.

Recent months have seen a surge in the national movement against separatism. But with several Flemish politicians still openly backing independence for Flanders, Mr Happart's protest will act as a warning to Belgium's new king, Albert II, and the country's fragile centre-left coalition government that they will have to work hard to keep Belgians together.

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NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Shareholders of the Company will be held at Chase House, Grenville Street, St. Helier, Jersey, Channel Islands on the 9th day of September 1993 at 11.00 am for the purpose of considering and if thought fit adopting a Resolution as a Special Resolution of the company whereby the Articles of Association of the Company shall be amended to comply with 'The Companies (Jersey) Law 1991'.

If required a copy of the full amendments can be obtained from the following address:

The Oporto Growth Fund Limited
P O Box 289, Chase House, Grenville Street
St. Helier, Jersey, Channel Islands JE4 8TH

Morgan Guaranty Trust Company of New York

Voting arrangements for IDR-holders.

IDR-holders who wish to vote must follow the procedure explained hereunder.

IDR-holders must:

Deliver the IDRs to the Depositary at the latest on 7th September, 1993 at the address given below (attention Securities Department - telephone 322 508 82 15 - telex 21752 MORBKS), instruct the Depositary as to the manner in which votes should be cast, and indicated to whom the IDRs should be returned after the meeting.

Morgan Guaranty Trust Company of New York
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35 Kunstlaan
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Or instruct EUROCLEAR or CEDEL to block the number of shares for which they want to vote and to vote in their behalf.

IDR-holders who wish to vote are also requested to transfer to Morgan Guaranty Trust Company of New York, New York for account 670-01-422 of Morgan Guaranty Trust Company of New York, Brussels, a fee of US\$3.- per IDR in respect of which a vote is cast.

Ukraine's divisions blamed for slide into 'hyper-depression'

Chrystia Freeland reports on a seriously sick economy

FOR 10 months Mr Viktor Pynzenyk, an energetic economist in his thirties, tirelessly preached the twin gospel of fiscal restraint and privatisation to his conservative colleagues in the Ukrainian cabinet. As Ukraine's soaring inflation rate and sluggish privatisation programme attest, Mr Pynzenyk's advice usually fell on deaf ears. On Friday, he gave up.

In an emotional live television address Mr Pynzenyk resigned from his post as deputy prime minister responsible for economic policy, declaring that the possibilities for introducing market reforms in the second-largest former Soviet republic had been exhausted. He said the economy was "catastrophic".

Mr Pynzenyk was not resorting to the hyperbole beloved of resigning politicians. "Ukraine has entered a qualitatively new stage, which is unprecedented in economic history. I call it hyper-depression," said Mr Daniel Kaufmann, head of the World Bank mission to Ukraine.

And yesterday Mr Leonid Kuchma, the prime minister, presented parliament with an emergency programme of anti-inflationary measures to prevent the total collapse of the financial system and warned of "tragedy" ahead.

Mr Kuchma called for the centralisation of all power in the government's hands, including control of the central bank.

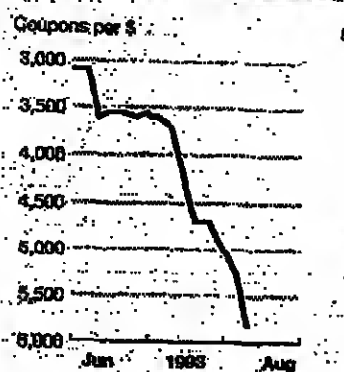
"Emergency economic measures are absolutely vital," he said. "All of eastern Europe has gone through crisis. It is difficult to change a shovel into a computer."

Inflation is more than 50 per cent a month, which has pushed the value of the coupon from 2,000 to the dollar in March to nearly 6,000 in mid-August, at a time when the Russian rouble has begun to appreciate against the dollar.

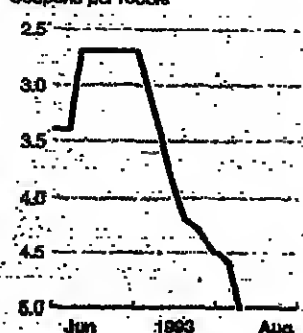
On top of home-grown hyperinflation - fuelled by a policy of issuing credits to agriculture and industry which have already exceeded the total gross national product predicted by the government at the beginning of the year - Ukraine has a balance of payments crisis, triggered by Russia's shift to world prices for the oil and gas upon which it has traditionally been dependent. Mr Kuchma predicts that by the end of the year the country's trade deficit will exceed \$2bn (\$1.3bn).

In the second weekend of August Mr Kuchma was on the telephone at 10 o'clock at night anxiously trying to reach the

Ukraine's hyper-devaluation



Coupons per rouble



Russian prime minister to persuade him to turn on the oil taps. Russia, which is owed \$650m for oil it has already supplied to Ukraine, cut off all supplies for the first 10 days of August.

Informed that the Russian prime minister was en route to his dacha and could not come to the telephone, a beleaguered Mr Kuchma described Ukraine's economic predicament as "a catastrophe". (For the time being Russia has resumed supplying oil to Ukraine, but future supplies are uncertain.)

"With this combination of economic problems, Ukraine has only two choices: intended or unintended adjustment," says Mr Kaufmann. Unless the government adopts radical reforms soon, "the likelihood of a significant economic implosion is very high".

The only good news is that the Ukrainian government, which has been paralysed by internal divisions, has at last begun to grasp the seriousness of the crisis, although it is clearly still divided over what to do about it.

Ukrainian leaders hope they will manage to soften the economic blow by persuading Russia - perhaps by dint of concessions over, for instance, the Black Sea fleet - to back off from its plan to raise oil prices, currently \$30 a tonne, to \$100 a tonne on January 1 1994. However, pragmatists in the Ukrainian government doubt Russia can be dissuaded from the shift to world prices, which the International Monetary Fund has encouraged.

Meanwhile, Mr Kuchma's emergency plan will be hard to sell in cities such as Kharkiv, where massive defence enterprises such as the Malyshev factory, which built the Soviet Union's most advanced tanks but has had no military orders for more than two years, are accustomed to surviving solely on government subsidies. Kharkiv's "red directors"

spent a tempestuous two-hour meeting with Mr Kuchma recently railing against "privatisation, commercialisation and corporatisation, which have given us nothing" and urging the prime minister to adopt a "market" strategy "based not on market forces but on the state".

Kharkiv's industrialists do not lack sympathisers in the Ukrainian cabinet, which earlier this month seriously debated one deputy prime minister's proposal to return to central planning. But Mr

Kuchma, himself the former director of a missile factory, warned his erstwhile colleagues that "I must underscore that in our programme there will not be a single element which calls for a return to the command-administrative system".

Mr Kuchma's plans could also be thwarted by President Leonid Kravchuk, who is locked in a long-running political battle with his prime minister, and a parliament dominated by ex-communists.

The only green shoot in the Ukrainian economic landscape - and the element which could relieve Mr Kuchma's fear that Ukraine risks becoming "a second Yugoslavia" - is the booming agricultural sector.

Ukrainian farmers are reaping a bumper harvest, expected to exceed 40m tonnes of grain. Unlike last year, when the government purchase price was less than a twentieth of world rates, this summer the Ukrainian government has been paying close to 80 per cent of the world price and farmers are responding by selling enough to the state to ensure that Ukrainian cities will not go hungry this winter.



President Yeltsin watches manoeuvres at the Taman Guards base near Moscow yesterday. He promised to draft extra professional soldiers into the army to make it more efficient.

Bank may lose control over Russia budget

By John Lloyd in Moscow

THE Russian government is to set up a federal treasury, which could act as a substitute for the central bank in the key area of budget implementation and control.

The idea of creating a parallel structure which would take over the crucial budgetary functions of the central bank has been long mooted. It has a legal foundation in a decree signed last December by President Boris Yeltsin. Now, according to reports in the daily Kommersant and the Interfax news agency, the project is well advanced.

Kommersant said the treasury would "supervise all operations which have to do with budgetary resources" and would be "like a bank, with government funds being paid in and out". It would be under the control of a deputy finance minister, with its headquarters within the Finance Ministry, offices in the regions and republics, and branches at district and city level.

As well as depriving the central bank of one of its main

functions - that of crediting budget expenditure - the government also plans to reduce parliament's authority over the budget to merely confirming it once it has been presented by the president.

The aim is to address the problem of the central bank authorising greater expenditure than that provided for in the government budget. But it would do so through the classic Russian method of sidestepping a problem by creating a new organisation to deal with it.

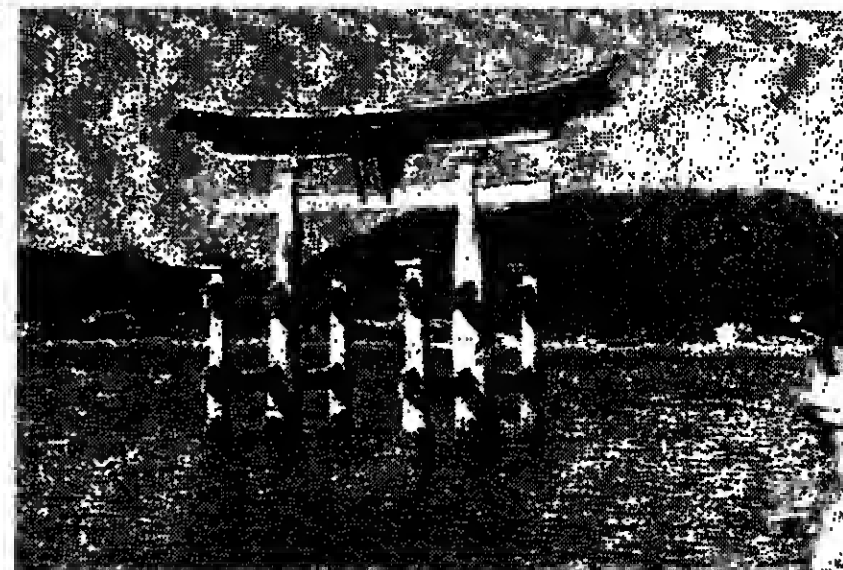
Mr Yeltsin has vetoed a banking law passed by parliament in July which ordered the central bank to review licences already granted to a handful of foreign banks, including Crédit Lyonnais, Société Générale, Dresdner Bank and the Bank of China, on the grounds that it put "unjust" limits on them.

The final 30 soldiers at Russia's last military base in Lithuania left their barracks yesterday and headed for Kaunas railway station on their way home from the Baltic state, Reuters reports.

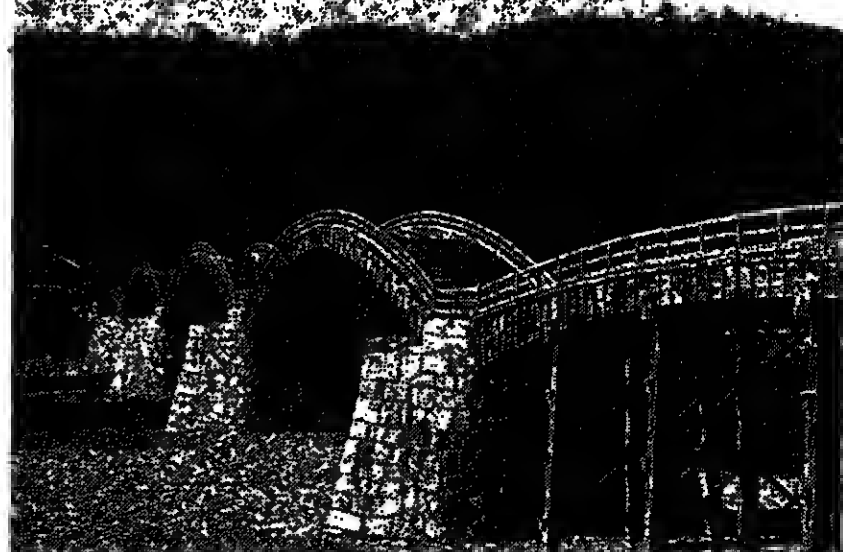
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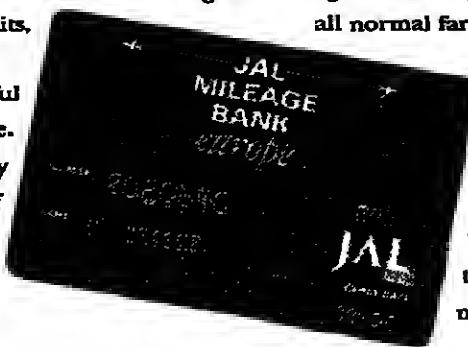
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Czech economy set for recovery

THE Czech economy will begin its recovery in the second half of this year and expand more rapidly in 1994, according to Mr Jiri Pospisil, the monetary policy director at the Czech National Bank, writes Patrick Blum in Prague.

"Private consumption is growing. The government is relaxing its restrictive policy and we expect a rise in public consumption in the second half. There has been a rise in

imports of investment goods, and the construction sector is doing well," he said.

A 4 per cent fall in industrial production for the first six months exaggerated the impact of temporary factors, he said. Many businesses closed for inventories before the country's split and the introduction of value added tax. An estimated 30-40 per cent drop in exports to Slovakia was offset by export growth elsewhere.

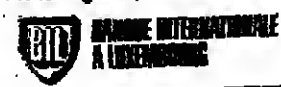
SOCIETE CONCESSIONNAIRE FRANCAISE POUR LA CONSTRUCTION ET L'EXPLOITATION DU TUNNEL ROUTIER SOUS LE MONT-BLANC

FRF 450,000,000 FLOATING RATE NOTES 1987-1997

In accordance with the provisions of the Notes, notice is hereby given that the rate for the period from August 31, 1993 to November 30, 1993 has been fixed at 7.85625% per annum. On November 30, 1993 interest of FRF 193.53 per FRF 10,000 nominal amount of the Notes, and interest of FRF 1,935.33 per FRF 100,000 nominal amount of the Notes will be due against coupon No. 25.

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Success hinges on revival of Palestinian economy

By Julian Ozzane in Jericho

PALESTINIANS preparing to assume interim self-government in the Israeli-occupied territories will face a huge challenge to reverse the economic decline of the West Bank and Gaza.

The economies of Israel and the territories are likely to remain closely linked and Palestinian and Israeli economists believe both could benefit from an influx of international aid and private investment into a Palestinian entity. Opportunities for expanded trade, combined with economic liberalisation and regional integration, could provide the basis for sustainable peace and an economic boom.

The economy in the territories, however, is underdeveloped and depressed. Combined gross national product per capita of the 1.7m residents of the West Bank and Gaza in 1991 was \$1,800 - 16 per cent of Israel's \$10,578. Almost a third of the economy of the occupied territories is derived, traditionally, from sales of Palestinian goods and labour into Israel.

Agriculture contributes 25 per cent of the economy, absorbs 23 per cent of the labour force and accounts for 60 per cent of exports. Israel's dependence on the territories is small - they contribute less than 3 per cent of Israel's gross national product - a figure that is declining with the substitution of

immigrant labourers in the place of Palestinians.

The Gaza economy - which will be the initial focus of an expanded Palestinian authority - is much the worst hit, with income per head of less than \$550. Gaza, a 360 sq km strip of land, is home to 780,000 Palestinians, many living in sprawling shanty refugee camps. Gaza has also been more severely hit by the five-month closure of the territories which has cut off at least 20,000 migrant labourers and their families from their only source of income - work in Israel.

Before the latest closure, the economy was already suffering from a long-term lack of job-creating investment, a restrictive trade

regime with Israel and a population growing at 4.7 per cent a year. Unemployment is estimated at 40-50 per cent.

Mr Yasser Arafat, Palestine Liberation Organisation chairman, will wish to act swiftly to redress growing poverty in Gaza, a breeding ground for Islamic fundamentalism and opposition to the PLO - a goal shared by Israel. Palestinians are putting much faith in a Marshall-style investment plan of several billion dollars over five years. The World Bank has recommended \$1bn over five years, a figure Palestinians and Israelis believe is too small.

Israel is backing external investment because the peace process will

be made or broken by economic development. Many economists say the costs for the territories of severing economic relationships with Israel would be prohibitively high.

Mr Ezra Sadan, a former director-general of the finance ministry, has said: "If Gaza disconnects from our economy it will become a mini-Bangladesh. It will have a kamikaze economy. I wouldn't like to have a kamikaze as my neighbour."

Furthermore, any economic growth in the territories will help Israel by increasing the demand for Israeli goods and services because Israel will remain the Palestinians' key trading partner.

Israel also hopes that economic

growth in the territories will create jobs for Palestinians, thereby reducing migrant labour which would in turn free jobs for Israelis suffering from 11 per cent unemployment.

However economists have said that the ability of the occupied territories to absorb capital is limited, given the poor infrastructure and administration and the size of the domestic economy.

Considerable job-creating investment could be soaked up in a public works programme but industrial development will be much slower. Ambitious Palestinian plans for an airport and port are likely to be uneconomic.

Most economists agree that, at least for a five-year period, Israel

will continue to have a powerful influence over the shape of Palestinian economic policy, particularly regarding the development of industries which could compete with Israel's protected markets.

A recent Harvard University report on economic transition recommended the development of free trade between the Palestinian, Israeli and Jordanian economies as the key to mutual economic growth.

It recommended that Palestinians assume leadership and utilise the institutions of Israel's civil administration in the territories, harmonise the tax structure with Israel and introduce the Jordanian dinar as legal tender.

Anger in refugee camps at meagre offer of land

James Whittington finds opposition to Arafat is mounting

CRAMPED and crowded, the Bekaa Camp in Jordan houses over 90,000 refugees, most of whom were displaced when Israel seized the West Bank and Gaza Strip in 1967. Palestinians in the camp see no prospect for an improvement in their lives as a result of agreement between the Palestine Liberation Organisation for autonomy in the Gaza Strip and West Bank town of Jericho.

The latest *bon mot* in the sprawling camp west of Amman plays on the Arabic for Jericho (*Ariha*) which sounds like the word "smell" or "stench".

The general consensus is that the Gaza-Jericho accord "stinks and means absolutely nothing," according to Ayman Shahin, a 22-year-old pharmacy student at the University of Jordan who was born in the camp. "Yasser Arafat has sold Palestine and over 40 years of struggle," he says. The refugees are angry at the modest size of the land offered and they fear that this small step will be the last.

Large families are cramped into small concrete and corrugated iron huts where economic deprivation is prevalent. Although all the Palestinian

factions are represented in the Bekaa camp, it has traditionally been a stronghold for Mr Arafat's mainstream Fatah group.

However, in recent months opposition to the peace talks and the curtailment of financial aid and welfare benefits from the cash-trapped PLO has led to disillusion and contempt for Mr Arafat's policies.

The refugees fear the worst from the Gaza-Jericho accord. They refuse to believe Mr Arafat's claim that the deal will be the initial stage to a full Israeli hand-over of the West Bank and they see little improvement for themselves should the deal be implemented.

In some quarters of the camp there is open hostility or murderous undertones at the mention of Mr Arafat's name. Fuelled by the anger are various Islamic groups, particularly Hamas which has seen support grow since the inception of the peace process in Madrid in 1991.

Ranks of fundamentalists can be seen walking around the camp lobbying for support of their rejectionist policies of an all-or-nothing deal with Israel. Their uncompromising stance is that either they take all the pre-1967 lands back

immediately and capture the rest of Israel later or the armed struggle will continue.

The Amman-based spokesman for Hamas, Mr Mohammed Nazal, condemns the agreement as "an end to Palestinian hope". Furthermore he predicts that it could lead to increased inter-Palestinian rivalry and possibly civil war both inside and outside the occupied territories.

The majority of Palestinians in the camp support the Hamas line of continued armed resistance, whatever the outcome of the current 11th round of peace talks.

Jordan is home to the largest number of Palestinian refugees. Figures from the United Nations Relief and Works Agency show that in 1992 more than 1.1m refugees were registered in the kingdom. Almost 70 per cent of Jordan's population is Palestinian and one quarter of the country's population are considered refugees. The future of the refugees is an important point of discussion on the Israeli-Jordanian track at the peace negotiations, but the Palestinians in Bekaa are not comforted by discussions and the peace agenda. In the

al-Husseini refugee camp in the heart of Amman, refugees reacted with anger or resignation.

"We reject all of this because all of Palestine, from the Jordan to the Mediterranean is ours," said Mr Adnan al-Hindi, a Hamas supporter who runs a pharmacy in the Amman camp. "These people [Arafat and the PLO] either gave up half way through our struggle... or are traitors," added Mr Hindi, who was born in the town of Qibab and who has been a refugee in Jordan since the 1948 war.

But Sami Ahmed, a butcher at al-Husseini who supports Mr Arafat, said: "We have no choice but to accept the Gaza-Jericho plan... We have been fighting the Jews for 45 years and we got nowhere. Now we have to make concessions to get somewhere."

"We have had enough statements and heroics," said Mr Hussein Abdullah, 60, and a merchant in the Ain al-Hilweh part of Amman.

"Thousands of Palestinian martyrs have fallen in the armed struggle but nothing has been achieved. Perhaps this step is a beginning to building an independent Palestinian state."



Palestinians examine the front page of an Arabic-language newspaper in Jerusalem's Old City yesterday. Above is a map on sale showing Israel settlements in the occupied territories.

Arafat takes the biggest gamble of his life

Shocked Palestinians question price of deal

By Lamin Andoni in Amman

MR Yasser Arafat, chairman of the Palestine Liberation Organisation, the man who has consistently denied enemies and followers alike with his ability to survive internal and external threats, is taking the biggest gamble of his life.

By defying the opposition of segments of the Palestinian leadership to an historic agreement with Israel, Mr Arafat is putting at stake his credibility, his constituency and, perhaps, his life. At risk, many critics believe, may be the very survival of the PLO and a united Palestinian quest for what they consider their national rights and territories.

Mr Arafat's decision to do a deal with Israel without consulting either the main Palestinian decision-making bodies or other Arab participants to the peace talks, shows that he and a close circle of confidants have decided to take the Palestinian negotiations with Israel into their own hands.

The PLO chairman has been under considerable pressure to accommodate Israeli demands, not only politically from some Arab states and the US but also by virtue of the PLO's ruinous financial state. Yet, according to some of his colleagues, rather than being concerned over concessions made, he is euphoric over having finally got the Israeli government to negotiate directly with the PLO after years of its having been dismissed as a "terrorist organisation".

But in many Palestinian eyes, Mr Arafat is paying a dear price for attaining de facto Israeli recognition. It

appears to entail his approval to postpone negotiations over the status of Jerusalem and Israeli settlements in the occupied territories. Furthermore, his apparent disregard for the PLO's main agencies in securing the agreement have given fuel to Palestinian opponents who claim that he is contributing to the destruction of the organisation's institutions, already severely weakened by its post Gulf War financial crisis.

Two prominent members of the Palestinian delegation, Ms Hanan Ashrawi and Mr Saeb Erekat, indicated in statements yesterday in Washington that from now on the PLO should take complete responsibility for the consequences of its agreement with Israel.

Privately, many members of the delegation - which was hand-picked by the PLO - have repeatedly complained that Mr Arafat was not serious about the Washington negotiations, except as a vehicle to compel the Israelis to talk directly to the PLO, and for the US to resume its dialogue with the organisation.

Such a view is gaining ground among Palestinian opponents who fear Mr Arafat could now be forced to accept Israeli conditions which would, in their view, strip from the PLO its historic role as the embodiment of Palestinian national rights. Israel's declared willingness to provide security for Mr Arafat - whose life has already been threatened by radical Palestinian groups - if he decides to live in Jericho, have added to this sentiment and has been read by some as an Israeli attempt to

discredit him as the symbol of Palestinian nationalism.

Such arguments highlight the difficulty inherent in Mr Arafat winning recognition.

Central to this dilemma is Israel's apparent condition that the PLO modify the Palestinian Charter, which calls for the liberation of all the lands considered as Palestinian - a clause which has long been synonymous with a call for the destruction of Israel.

To effect such changes to the charter, Mr Arafat would have to convene the Palestine National Council (PNC), the Palestinian government-in-exile, something which would, in turn, risk raising opposition within this broad body to any participation in the negotiating process.

Other apparent Israeli conditions for recognition could prove stiffer still to enact: a public renunciation of armed struggle, and the dropping of demands for the repatriation and compensation of Palestinian refugees displaced in 1948.

Mr Arafat is trying to sidestep the first condition by arguing, as he did in statements in Egypt yesterday, that by renouncing terrorism, as the PLO did in 1988, and by joining the peace process, the PLO has already delivered this condition. But it far harder to see how the PLO could issue a statement abandoning the rights of the 1948 refugees in the Palestinian camps in Lebanon and Jordan.

As details of the deal with Israel continue to emerge, the fragmented opposition to it is, from an initial position of surprise, starting to consider counter moves.

Arab leaders hide any misgivings

By Mark Nicholson in Cairo

KING HUSSEIN of Jordan yesterday flew unexpectedly to Damascus for talks with President Hafez al-Assad, the Syrian leader, in the hope of co-ordinating the two countries' response to the proposed Palestinian deal with Israel - one which took both leaders by surprise.

Neither Jordan nor Syria has yet ventured any formal reaction to the deal apart, as one diplomat put it, for "King Hussein's eloquent departure to Damascus". However, politicians and diplomats in Amman said the King was displeased with the absence of consultation before the agreement and said that both Syria and Jordan fear that Mr Yasser Arafat, chairman of the Palestinian Liberation Organisation, has conceded too much to Israel too soon.

In Egypt, Mr Arafat denied there were any misgivings in Amman over Damascus and said before talks yesterday with President Hosni Mubarak, the Egyptian leader, that it was "completely incorrect" that they (Syria and Jordan) are not happy with the accord". He added: "There was a telephone call yesterday between me and his majesty King Hussein... and I am confident of this aspect of the relation of Palestinian-Jordanian co-ordination."

But senior Jordanian officials said that the telephone call was the first the King had heard of the deal and that the monarch was angered that Mr Arafat should have reached in secret an arrangement which bears directly on Jordan's national interests. "If governments are not aware of what neighbours are doing, they are not going to be happy," said one prominent Jordanian. "The lack of co-ordination has left everyone with questions to ask, and answers to expect."

Both Jordan and Syria are understood to feel the separate Palestinian accord will place both countries under greater pressure from Israel to conclude their own bilateral peace agreements with Tel Aviv, while compromising elements of their bargaining positions.

Both governments are also understood to be concerned that the agreement has failed to win sufficient Israeli concessions on the questions of Israeli settlements in the occupied territories and on the status of Jerusalem - a city with particularly deep symbolic significance to King Hussein's Hashemite monarchy.

Diplomats said King Hussein's talks in Damascus would have been aimed at cementing a united response while also determining Syria's position towards rejectionist Palestinian groups, hosted by Damascus, which could threaten violent opposition to the agreement.

Both Syria and Jordan have maintained they would not conclude separate peace deals with Israel without the Palestinians having first won a satisfactory agreement of their own. King Hussein will now be concerned not to be left more exposed by any immediate Syrian move to peg progress in its track of the Arab-Israeli negotiations to the PLO-Israeli deal.

However, diplomats suggested that neither country was likely to rush to conclude their own negotiations, or even agree to individual declarations of principles towards a final peace with Israel on the basis of the new accord and a period of intense Arab-Israeli diplomacy is now likely against the backdrop of the resumed Washington peace talks. Egypt, which was swift to endorse the agreement, looks set to try to repair the diplomatic damage it caused.

President Mubarak, who hailed the deal as "courageous and brave" beside Mr Arafat at a press conference yesterday, said both leaders would meet President Assad soon.

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Nigerians get promise of fresh poll

By Leslie Crawford and Paul Adams in Lagos

CHIEF Ernest Shonekan, the head of Nigeria's military-installed government, yesterday promised to call fresh elections within the next seven months as pro-democracy strikes grounded air and road transport and paralysed Lagos, the country's commercial capital.

In his first national address since taking office last Thursday, Mr Shonekan admitted that his stop-gap administration was a "second-best solution" to the political impasse created by Gen Ibrahim Babangida, the former military ruler, when he annulled presidential elections in June.

He appealed to labour unions and pro-democracy activists in Lagos to end the strikes which have turned the chaotic metropolis of 7m people into a ghost town.

But with Chief Moshood Abiola, the winner of the annulled election, still absent from the country and unlikely to return soon, the pro-democracy movement may lose steam after a week of protests.

"If Shonekan can survive through this week, Abiola will have lost his claim to the presidency," one diplomat said yesterday.

A decree yesterday ended speculation over the extent of Mr Shonekan's authority by naming him head of state and commander-in-chief of the armed forces.

Military officers loyal to Gen

Babangida, however, maintain key positions at the head of the army and joint defence staff. The State Security Services, Gen Babangida's feared secret police, have not been dismantled.

Trade union leaders from Nigeria's National Labour Congress were due to meet Mr Shonekan today in an attempt to end the strikes.

In addition to their political demands, unions want the government to repeal its decision to raise petrol prices. Mr Shonekan will be told that he can expect riots in Lagos and other big cities if his government insists on raising the cost of Nigeria's heavily-subsidised fuel 10-fold.

In his speech, Mr Shonekan said the National Electoral Commission and Nigeria's two military-created political parties would draft a timetable for new elections within a week. His government, he said, would lead a crusade against corruption and the "get-rich-quick mania" that lay at the root of the country's social problems.

He promised the national assembly would be given legislative powers.

It was not immediately clear whether Mr Shonekan's speech would pacify pro-democracy activists. Hostility to the new government is strongest in the south-west, Chief Abiola's home, where Yorubas feel they were cheated of a rare chance to lead a new civilian government.

India caught in new cellular network bid row

By Stefan Wagstyl in New Delhi

THE Indian government has taken steps to end controversy over awarding licences for cellular telephone networks by withdrawing licences granted last autumn and handing out new ones.

But the new decision could be as hotly contested as the original. Already, one unsuccessful bidder has started court action and another has said that it might follow suit.

The controversy illustrates how India's efforts to modernise and liberalise its economy can fall foul of bureaucratic and political interference.

The ambitious proposals for establishing cellular telephone networks in the four largest cities - Bombay, Delhi, Calcutta and Madras - were first announced two years ago.

Telecommunications groups from Europe, East Asia and North America rushed to bid in partnership with large Indian companies.

But when the Ministry of Telecommunications finally announced the results last year, the losers protested against the evaluation of bids.

Three losing bidders - including Hutchison Max Telecom, a joint venture involving Hutchison Whampoa of Hong Kong - challenged the ministry in court. Hutchison Max Telecom was particularly aggrieved because its bid had been rejected on the grounds that its tender documents contained a typographical error.

The court in March ordered

the Indian government will allow foreign investment in domestic Indian aviation companies, but stipulates that proposals will be considered on a case-to-case basis, writes Shiraz Sidwa in New Delhi.

Private airline operators are sceptical that domestic aviation will attract foreign investment before the restrictive Air Corporation Act is repealed, probably in the next session of parliament.

the ministry to re-evaluate aspects of the bids. In particular, the judge said officials had been wrong to turn down Hutchison Max for a typographical mistake and ordered them to reinstate the company.

Hutchison Max's bid came top in the re-evaluation: it was therefore entitled to one of the two licences for Bombay, potentially the most lucrative market and most bidders' top target. This then entailed redistributing most of the other licences.

After months of deliberation, officials finally informed bidders last week. Hutchison Max was delighted. Mr Bhal Mohan Singh, head of the family-owned group which is the local partner in the venture, said yesterday: "This has gone on too long. I'm glad we can get started at last."

But Tata group, India's largest conglomerate, which had been granted a licence for Delhi in the original awards and was given nothing, filed a petition in the Supreme Court challenging the ministry.

Economy may be Tokyo power-broker

By William Dawkins in Tokyo

JUST as Mr Morihiro Hosokawa, the Japanese prime minister, is being urged by the more senior of his coalition partners to concentrate on political reform, the economy is threatening to shorten his government's life by failing to recover.

Technically, Japan has not yet hit a recession, in that it has not seen two consecutive quarters of decline in gross national product. The latest gloomy indicators released yesterday, as ministers responsible for the economy met in emergency session, were no surprise, but they do add weight to the theory that the economy might fall into recession before recovering at the end of this year or early next.

They included a 0.3 per cent decline in seasonally adjusted industrial production from June to July, or 4.5 per cent down on the year. To unad-

justed terms, industrial output has fallen for a record 22 straight months and the Ministry of International Trade and Industry (Mit) forecasts that it will be stagnant for the next few months.

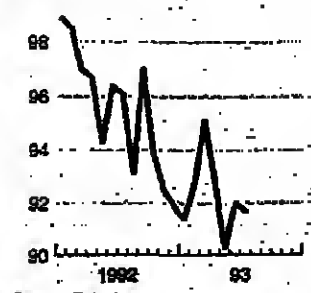
Car and construction industry figures are even worse. A 33.6 per cent year-on-year decline in construction industry orders in July was far worse than expected.

Meanwhile, car exports plunged by 13.9 per cent last month, as against July last year, the fourth monthly decline, according to Nikkei, the economic newspaper. The outlook for a recovery is poor, as European Community negotiators meet trade officials tomorrow and Friday to seek, and probably get, further cuts in car exports to the EC.

There was one small cause for cheer in yesterday's figures, a better than expected 4.6 per cent year-on-year rise in housing starts last month, the

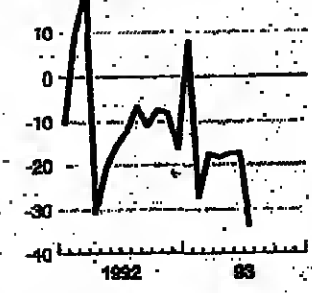
Japan

Industrial production, 1990 = 100



Source: Daiwa

New construction orders, annual % change



14th consecutive monthly rise. Yet the overall picture confirms that the signs of recovery seen early this year have vanished, stifled by the impact of the yen's sharp rise on export earnings and by the continuing caution of consumers.

Economic analysts have slashed their forecasts for GNP growth this year from between

1.5 per cent and 3.2 per cent, to between 0.3 per cent and 1.5 per cent. There is one exception; the government's Economic Planning Agency is staunchly sticking to its target of 3.3 per cent growth.

So what are the government's options? Mr Hosokawa's coalition partners are applying pressure

for a drop in income taxes, favoured by Mr Ichiro Ozawa, the real power behind the Japan Renewal party, one of the main coalition members.

However, the powerful Finance Ministry, which is against cutting income tax, appears to be gaining the upper hand, helped by the fact that one of its own former bureaucrats, Mr Hirohisa Fujii, happens to be its minister. It argues that in the short term a shortfall in tax income will hamper the government's freedom to dole out any further spending packages and that in the longer term Japan's ageing population will eat into the current budget surplus.

Equally, the latest evidence of the failure of the expected recovery has piled fresh pressure on the Bank of Japan, technically independent, to lower interest rates, its official discount rate has been at a post-war low of 2.5 per cent since early this year and it is

desperately keen to avoid a repeat of the liquidity-fed rise in asset prices that preceded this downturn.

However, some analysts believe the central bank might see fit to drop rates if its next quarterly survey of business confidence, due on September 10, shows a decline.

Mr Hosokawa knows that failure to take some kind of action against the downturn could land him with two headaches. The first will be when he meets Mr Bill Clinton, when the US president is expected to require evidence that the Japanese government has made progress in stimulating domestic demand and encouraging imports to make an impact on the trade surplus.

The second will be at the next general election, where several observers believe a real recession could well help the Liberal Democratic party to make a surprise comeback.

NTT's cut of 10,000 jobs could pave way for others

By Michiyo Nakamoto in Tokyo

NTT, the Japanese telecom company, said yesterday it is seeking to cut about 10,000 employees from its payroll through voluntary retirement by the end of next year. The announcement could pave the way for other

companies to implement similar cuts. Many Japanese companies are feeling the pressures of high labour costs amid the slowdown but are unable to carry out staff cuts because of Japan's tradition of lifetime employment. NTT, which is Japan's largest company in terms of the number of

employees, said that the staff cuts were part of a restructuring programme announced earlier this year aimed at eventually reducing staff numbers from more than 230,000 to 200,000.

In fiscal 1992, NTT fell from second to third place in the rankings of

Japan's top earners, according to statistics compiled by the National Tax Agency. The company's reported earnings fell 44 per cent last year to ¥205.8bn (¥1.33bn) and was out-ranked by Toyota, the car company and Sanwa Bank.

NTT, which became a private com-

pany in 1986, has been suffering the effects of greater competition, but it is by no means the only company feeling the need to cut jobs.

The Industrial Bank of Japan said in a recent report that Japanese companies employed about 900,000 staff in excess of what they needed.

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DTELS: The Communications Business of The Home Office

The Secretary of State for the Home Department is now offering for sale, to a trade purchaser, DTELS (formerly the Directorate of Telecommunications).

DTELS is an integrated communications service business providing telecommunications and related services to the Emergency Services, HM Prison Service and increasingly to customers in the private sector.

HM Government announced its intention to sell DTELS, by trade sale, on 3 February 1993. Price Waterhouse are acting as financial advisers to the Home Office on the sale and have now issued an Information Memorandum. This document outlines DTELS' business activities and recent financial performance and details the bidding process for potential investors.

The Information Memorandum will be made available to bona fide investors subject to a confidentiality agreement.

To register your interest please contact: Simon Leary or James Alston, Price Waterhouse, No.1 London Bridge, London SE1 9QL. Tel: 071-939 3000. Fax: 071 403 0733.

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NEWS: WORLD TRADE

Canadians sign 'Appalling' cost if trade talks fail

By Leyla Boulton
and Reuters in Moscow

PRATT & WHITNEY Canada, a subsidiary of the US engine-maker, announced yesterday a deal with Klimov, the Russian company, to make aircraft power plants.

Mr Gilles Ouimet, the Canadian company's executive vice-president, said the two companies had agreed to create a joint venture which would produce its first engine by the end of 1994. The plan was to be able to build 100 engines a year, he said.

Having been one of the first western companies to clinch a deal that has already yielded fruit, by providing engines for a jointly-produced plane with Ilyushin, Pratt & Whitney yesterday presented a first ever joint venture to manufacture engines for helicopters and smaller aircraft.

"The establishment of a joint venture with the Klimov design bureau in St Petersburg and Pratt's Canadian offshoot highlights the demand for superior engines to match superior Soviet aircraft frames.

For Russia, the web of contracts and resulting deals is providing an encouraging, if sometimes irritating, model of what co-operation with the west can bring. Mr Alexander Sarkisov, general constructor of the state-owned Klimov, which has designed 90 per cent of the engines on Russian helicopters, was unmoved by suggestions he was betraying the Russian engine industry.

"We will devote as much capacity as the market can take for making engines with Pratt & Whitney," he said, displaying the emerging capitalist toughness of many Russian managers. He also stressed, however, that the engines would be sold and serviced for rubles, not hard currency, at prices which would make them attractive for Russian manufacturers and foreign ventures.

Executives from up to 200 foreign companies have converged on Moscow this week for Russia's second annual

aerospace show. All have come to be seen, and to be heard, organising often lavish news conferences, even if they have nothing new to say.

As for the French aircraft-maker Aerospatiale, at a news conference in a Moscow luxury hotel, the chairman Mr Louis Gallois had little concrete progress to report since a visit earlier this year when he signed a series of protocols of intent with almost every major Russian aerospace company. He revealed only that Aerospatiale had concluded "contracts" on hyperperson research with two Moscow institutes but could not give any details. He said Aerospatiale was also keen to help Russia develop its potential for titanium exports for the western aerospace industry.

He promised that Aerospatiale, which was building a foundation for future co-operation, would by the end of the year set up a jointly-owned company with Russia's MIL enterprise to build the Mi-38 helicopter, a 13-tonne machine designed for heavy loads and public works.

If Pratt & Whitney's joint venture produced concrete results, he added, the Franco-Russian partners might consider buying engines from it.

As Russia makes strides to a market economy, its aviation industry is seen as one of the country's most promising sectors for foreign buyers, sellers and investors.

The westerners are attracted by Russia's technical prowess, cheap labour and the publicity to be generated by announcing deals with Russian companies, even if they subsequently fall through.

Having been beaten to the announcement of a similar deal between the Mikoyan Design Bureau and Thomson, France's Dassault Electronique will this week try to present an agreement with Mikoyan to upgrade old MiG-21s as the first such deal to be up and running. It has its eye on a \$300m contract to provide new electronics systems for India's fleet of 100 such aircraft.

'Appalling' cost if trade talks fail

By Frances Williams in Geneva



Peter Sutherland: "Place political leadership before expediency"

MR Peter Sutherland, director general of GATT, yesterday urged governments to face down vested interests and "place political leadership before expediency" in a warning that the costs of failure to complete the world trade talks would be "appalling high".

Before leaving for Germany for talks with Chancellor Helmut Kohl and senior ministers, he told GATT's trade negotiations committee that the 116-nation Uruguay Round would end "for good or bad" on December 15, when US fast-track negotiating authority expires. There would be no extension. The talks, launched in Uruguay in 1986, are already three years behind schedule.

A ministerial conference has been tentatively scheduled for April 1994 at which the Uruguay Round agreements would be signed, along with a declaration and future work programme. These are expected to foreshadow negotiations on such issues as competition policy and the links between trade and environment, not covered by the present Round.

In a speech for delivery to German industrialists in Cologne last night, Mr Sutherland called on German industrial and political leaders to stand up and fight for a successful Uruguay Round. He said the Round was not an



Peter Sutherland: "Place political leadership before expediency"

optional extra" to the existing multilateral system but "arguably the most important and urgent issue" on the world agenda today.

"It is very hard to understand how some people can be so short-sighted as to want to put all this at risk by pandering to a relatively small number of inefficient producers," Mr Sutherland said. He did not refer directly to France, whose apparent recruitment of Mr Kohl last week in support of its hardline stance on agriculture is seen as posing a serious threat to the round.

Over the next two months, trade negotiators in Geneva will focus on reducing tariff and non-tariff barriers to trade

in goods and services, finalising the rules on services, and sorting out some institutional aspects of the proposed multilateral trade organisation and dispute settlement mechanism. Other problems would be dealt with "at the appropriate time", Mr Sutherland said.

Ariane Gendillard adds from Bonn: Mr Sutherland carried his message in the afternoon to Bonn, where he received full support from Mr Günter Kemmerich, the economics minister, and Mr Klaus Kinkel, the foreign affairs minister.

Both have opposed a renegotiation of the Blair House agreement, despite Mr Kohl's recent questioning of the validity of the accord.

Mr Kemmerich stressed yesterday that his position on the Blair House agreement remained unchanged and called for a rapid conclusion of the GATT trade talks.

Mr Kinkel also reiterated yesterday his firm opposition to any renegotiation of the accord.

The real test of Germany's determination to support French calls for a watering down of the farm accord will come today as Mr Sutherland meets Mr Kohl.

Opening of Thai motorway ordered

By William Barnes in Bangkok

A THAI court has ordered that a controversial \$1bn (\$660m) motorway be opened today, without having solved bitter disputes with the international consortium which has a 30-year concession to build and operate it.

Mr Sukavich Rangsitpol, the governor of the state-run Expressway and Rapid Transit Authority, succeeded in obtaining a court order citing the consortium's breach of contract and bad faith.

Mr Takao Ninomiya, the managing director of Bangkok Expressway (BEC), the consortium led by Japan's Kumagai Gumi, said he was "astonished, very surprised. We have only a few hours remaining. We are a private company with no power, no police, no army... we cannot resist them if this is what they want."

The move to force open the Second Stage Expressway, through the middle of the capital, surprised and dismayed financiers. Some warned it might alienate international investors just when Thailand is hoping to tap them for a massive upgrading of its national infrastructure.

Mr Sukavich said foreign bankers had "only" put in \$100m compared to local bankers' \$700m so the move would have no effect on future financing "as long as they understand why we are doing this. I'm not forcing anything... We will continue to negotiate afterwards." BEC has said the almost complete toll road should not open until the row over the interpretation of the complex project finance contract signed in 1988 is resolved.

The Thai authorities appear to have finally conceded it should charge the original \$30 (\$1.20) toll per vehicle agreed in the contract rather than the \$120 more acceptable to Bangkok motorists. But BEC says it is owed some \$120bn in backdated revenues and is sceptical about the transport authority's ability to adhere to the agreement for the remaining 27 years of the concession.

Brussels backing for Paris seeks protection French farm campaign against EC imports

By David Buchanan in Paris

FRANCE'S campaign for changes in Europe's farm trade accord with the US yesterday gained ground when the Belgian presidency of the EC said it was open to "a certain renegotiation" of the transatlantic deal.

With two new French documents on GATT in his pocket, Mr Willy Claes, Belgium's foreign minister, came away yesterday from a meeting in Paris with the prime minister, Mr Edouard Balladur, saying that he had "no objection in principle" to renegotiating a farm trade agreement with which Belgium had some difficulty itself.

One of the two French documents - on the need for strengthened EC defences against unfair trade practices - will be unveiled by French ministers today. It would place Commission trade negotiators under closer supervision by national governments represented in

the EC Council of Ministers, spur the EC's executive commission into tougher action against dumping and give GATT reinforced powers as a means of reining in America's tendency to seek unilateral trade remedies.

More controversial are France's proposals to water down constraints in last November's Blair House accord on farm trade with the US. Paris is still keeping these proposals confidential, but among them are two suggestions to preserve Europe's exports and to reduce American imports into the EC market.

Paris proposes that existing EC stocks - amounting to nearly 30m tonnes of cereals and 1m tonnes of beef - should be exempt from the Blair House accord, and that the 21 per cent cut in subsidised exports over six years should apply only to future EC production. It has also sent a separate memo to Brussels, suggesting curbs on imports of American corn gluten.

By David Gardner in Brussels

THE European Commission, which negotiated the Blair House deal, was expected to receive last night or today the formal French proposals for changes. The main demands are understood to focus on ensuring adequate protection against agriculture imports into the EC, and guarantees that cuts in subsidised food exports will not bite deeper because of farm price and currency fluctuations.

On imports, France can expect substantial support from its partners in resisting US ambitions for guaranteed market access for American produce. Neither Blair House nor the Uruguay Round "final act" provides the sort of guarantees Washington wants in any conclusion to the Round.

On farm prices and exchange rate fluctuations, France appears determined to protect its exporting poten-

tial, sources in Brussels say. As a result of last year's reform of the Common Agricultural Policy, EC cereals prices should converge on world market prices by 1997, meaning that the Community will be able to reduce - and perhaps even do away with - export subsidies.

The 21 per cent cuts over six years in the volume of subsidised exports the EC has agreed with the US would not then be applicable, since there is no restraint on exports without subsidy.

France is therefore understood to want additional guarantees that: • relatively frequent big rises and falls in international farm prices will be factored into the agreement on subsidised food export cuts;

• there is a mechanism to ensure that currency fluctuations will not impede the Community from reaching world prices.

NEWS: THE AMERICAS

Life under Bush better than it seemed

Michael Prowse on what lies behind the biggest upward revision in American GDP figures in 20 years

LIFE WAS better than it seemed during the Bush years. That, at least, is the conclusion of federal statisticians who today announced one of the biggest upward revisions to US gross domestic product in 20 years.

According to the new figures, the recession of 1980/81 was rather a mild affair, with gross domestic product falling only 1.6 per cent in real terms from peak to trough, compared with a previous estimate of a decline of 2.2 per cent.

The recovery that began in the second quarter of 1981 was a lot stronger than previously suspected with real GDP growth averaging 2.4 per cent at an annual rate rather than 2 per cent.

For the three years from the fourth quarter of 1980 to the fourth quarter of 1982, real growth was 55 per cent stronger than previously estimated: an average annual rate of 1.4

per cent rather than 0.9 per cent.

The most striking revision was to 1982. In the year to the fourth quarter of 1982, the economy grew by a robust 3.9 per cent in real terms. Yet these were the months when candidate Bill Clinton successfully portrayed George Bush as a president who had failed the nation economically.

In the final quarter of last year, the economy surged ahead with real growth at an annual rate of 5.7 per cent, rather than the 4.7 per cent previously reported, the swift growth since the end of 1987 when the Reagan "boom" was still underway.

The most important factor in the revisions was large upward adjustments to the figures on consumer spending on durable goods other than vehicles - for cars, furniture, household equipment and clothes. These revisions in turn mainly reflect

new information from the Census Bureau which has just updated its series for retail sales, an exercise undertaken every five years.

The other main upward revisions were for corporate expenditure on non-residential fixed

The biggest puzzle raised by the revision is why public perception was that the economy was so weak in recent years

investment and for state and local government spending.

The re-writing of economic history did not just affect GDP. The new figures contradict claims that personal incomes stagnated during the Bush years. After allowing for inflation, personal disposable income grew at an annual rate of 2.2 per cent between the fourth quarters of 1989 and 1992, not 1.3 per cent as originally estimated.

Corporate profits were also revised up sharply for each of the past three years. In some sectors the revisions were huge. For example profits made by financial companies were revised up by 38 per cent in 1991 and 42.5 per cent last year. It seems that banks, savings and loans institutions and life assurance companies were all financially stronger than previously estimated.

Last, Americans were a bit more thrifty than economists thought. The personal savings rate last year was 5.3 per cent, not high, but better than the 4.8 per cent at first estimated.

The statistical revisions also cast new light on the surge in growth at the end of last year. To a considerable degree it

reflected the bringing forward of income from this year to avoid the expected increase in personal taxation in President Clinton's first budget.

Statisticians had expected some Wall Street companies to bring forward bonuses to avoid higher top rates of tax this year. They therefore made allowance for an extra \$1.5bn in accelerated bonus payments.

It now appears that tax avoidance was a national phenomenon affecting scores of different industries.

The latest estimates indicate that bonus payments to the tune of \$19bn (0.3 per cent of GDP) were brought forward from this year and paid in the final months of the Bush administration.

The swollen bonus payments significantly distorted the personal income figures and help explain why real consumer spending on durables grew at a staggering annual rate of 13

per cent in the final quarter of last year. The biggest puzzle raised by the revised figures is why public perceptions of the economy were so weak in recent years. The conventional wisdom is that it reflects the lack of job creation.

But this is only a partial answer because the jobs figures have also been revised recently to show a smaller drop during the recession and a stronger rebound during the subsequent recovery. The current jobless rate of 6.8 per cent is not high by international standards, or by US standards for much of the 1980s.

The answer seems to lie in dashed expectations. Even after the revisions, growth since the recession has averaged less than 2.5 per cent at an annual rate, a far cry from the rocket-like acceleration of growth experienced in nearly all the previous post-war US business cycles.

The US withdrew from the Paris-based Unesco in 1984, complaining that it had "extraordinarily politicised virtually every subject it deals with; exhibits hostility towards the basic institutions of a free society, especially a free market and a free press; and demonstrated unrestrained budgetary expansion".

The UK and Singapore followed suit a year later. These departures took away about 30 per cent of Unesco's budget.

After a bitter struggle Mr Mbow was voted out in 1987 and replaced by Mr Federico Mayor, a former Spanish education minister, who has made it a priority to persuade the US and UK to rejoin.

However, a 1990 State Department report concluded that Unesco had made little progress in correcting its management weaknesses and spendthrift ways.

While some members of Congress have argued for rejoining Unesco, including Mr Howard Berman, the chairman of the House of Representatives subcommittee dealing with international organisations, the chances of finding money to pay the US's membership dues, which would now amount to around \$65m (\$44m) a year, are slim.

The US is already heavily in arrears in its payments to the United Nations, and there is little room in Mr Clinton's already squeezed foreign operations budget for more spending. If re-entry were delayed until October 1995, as the task force recommends, the cost would be put off for two budget cycles.

Rejoin Unesco in two years, US is urged

By George Graham

A TASK force has recommended that the US should rejoin the United Nations Educational, Scientific and Cultural Organisation, but suggests delaying re-entry for another two years.

The inter-agency task force, headed by Mr Douglas Bennet, assistant secretary of state for international organisations, says Unesco has improved its management and abandoned the confrontational political stances of its ousted former secretary general, Mr Amadou Mahtar Mbow.

State Department officials confirmed that the recommendation had been forwarded to the White House National Security Council, but said they did not know when President Bill Clinton might act on the proposal.

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Brazilians try to quell violence

BRAZILIANS yesterday expressed outrage at news of the country's third reported massacre in five weeks, as government officials met in Rio de Janeiro to seek a solution to the outbreaks of violence, agencies report from Rio de Janeiro.

Members of Congress have called for federal intervention in the city's militarised police, who are under investigation for alleged participation in the latest massacre, in which 21 slum-dwellers were gunned down on Sunday.

Such federal intervention would have precedent. Last month, the army was brought in to tackle organised crime among the police of the northeastern state of Alagoas.

About 20 hooded gunmen armed with automatic weapons burst into the Vigário Geral shantytown in northern Rio on Sunday. That appeared to be revenge for the killings there of four police officers, possibly by drug traffickers, the night before.

Republicans buoyant - but still divided

By George Graham
in Washington

US REPUBLICAN party bigwigs left Washington at the beginning of August, for the summer vacation, in a mood of self-congratulation at the points they had scored against President Bill Clinton in his gruelling battle to pass his budget.

Mr Haley Barbour, the party chairman, crowed that Mr Clinton had "done more to unite the Republican party in the last 200 days than I'll do in four years."

But the pleasures of sniping at Mr Clinton have only covered the philosophical rifts over issues such as "family values" that the presidential election campaign last year exposed. Some Republicans worry about how their party will measure up when the time comes to say what it stands for, instead of what it stands against.

Some of the criticism has come from the old testament prophets of US conservatism. Mr Barry Goldwater, presidential candidate in 1964, has been particularly scathing about his



Senator Bob Dole: Having the time of his life

party's decline from fighting communism and high taxes to fighting homosexuality.

But some of the most piercing comments have come from Congressman Bob Michel, Republican leader in the House of Representatives. In an interview this month with his home-

town newspaper, the Peoria Journal Star, he wrung his hands over his party's "antagonistic" hardliners.

"Bob Michel is going to call it quits. Soon. Very soon," says Republican former congressman Mickey Edwards.

Mr Newt Gingrich, the

Republican whip in the House who would be best placed to succeed Mr Michel, is temperamentally more suited to the confrontational tactics his party now favours. His negligible legislative record suggests that the party, under his leadership, would be even less of a partner in the formulation of national policy.

The Republican leader in the Senate, Mr Bob Dole, has shown none of Mr Michel's qualms about the confrontational approach. He is also much better placed to make such tactics work, because the Senate's procedural rules allow the Republican minority there much greater obstructive power than has its counterpart in the House.

Mr Dole gives the appearance of having the time of his life in his role as Washington's number one Republican.

Despite his age - at 70 he is four months younger than Mr Michel - he has spent his summer holiday glad-handing the voters of New Hampshire and Iowa, the two states that vote first in presidential primaries.

But even Mr Dole's some-

what improbable presidential ambitions reflect to some extent the split in the Republican party.

His trips to New Hampshire and his bounding of Mr Clinton in Congress seem, to some Republicans, designed principally to avoid being outflanked on the right by Senator Phil Gramm, the abrasive Texan who is openly campaigning for his party's intellectual leadership - and for its presidential nomination in 1996.

Also, Republicans throughout the spectrum are wondering how to deal with Mr Ross Perot, the Texas independent who could steal many of their best themes and deliver them, in 1996, a repeat of the 1992 presidential election - second place in a three-way race.

It is clear that Mr Clinton cannot expect to pass his next legislative priorities, the North American Free Trade Agreement and healthcare reform, without bipartisan support, but it is also clear that a sizeable body at the centre of the Republican party believes that it, too, needs to be more constructive in the next session of Congress.

Canada slashes east coast cod fishing

THE Canadian government has shut down virtually all of the east coast cod fishery and announced deep quota cuts on other fish species, AP reports from Halifax, Nova Scotia. The measures could put 12,000 Atlantic Canadians out of work.

Last year, Ottawa shut down the northern cod fishery off the east coast of Newfoundland, affecting more than 20,000 fishermen and plant workers.

Mr Ross Reid, federal fisheries minister, said yesterday he would ban cod fishing in four more areas in the region and sharply reduce quotas on other valuable species such as pollock and plaice.

"We are facing an unprecedented ecological crisis in Atlantic groundfish stocks," Mr Reid said. "Immediate action is needed to permit this fragile resource to rebuild."

The extended ban will cover cod on the eastern Scotian shelf off Nova Scotia, the southern Gulf of St Lawrence, the Sydney Bight area off Cape Breton and the south coast of Newfoundland.

The only areas left open to cod fishing are the Georges Bank, off southwest Nova Scotia, and the northern Gulf of St Lawrence.

But even in those areas, most of the allowable catch has already been landed.

NEWS: UK

ECONOMICS DEBATE AT BRITISH ASSOCIATION FOR THE ADVANCEMENT OF SCIENCE

Lawson champions besieged capitalism

By Clive Cookson

HOSTILITY to capitalism was "as pervasive as ever" even though socialism had been defeated worldwide, Lord Lawson, the former Conservative Chancellor, told the British Association economics section at Keele University in the Midlands yesterday.

He argued it was essential for a capitalist market economy to sustain a high-quality social security net in order to protect the impoverished. Lord Lawson said the existence of an underclass did not demolish the case for capitalism. "Just as the sensible successful businessman who seeks

to help those less fortunate will do so not by changing the way he runs his business, but by applying part of his personal wealth to philanthropy, so the wise government will best help the poor by not interfering with the market but by creating a well-designed social security net alongside it."

"At the very least, if we are to live within a market capitalist system, it is unsatisfactory that we should have doubts about its moral foundations. One or two recent speeches even by some members of the present government betray a worrying insecurity," he added. Lord Lawson scorned egalitarian arguments - and

what he called the "insatiability of egalitarianism." No matter how much equality there was, there would always be cries for more.

"Once it is accepted that there must be inequality, the principle of equality, if there ever was one, has been abandoned, and we are left not with morality but with something that looks rather like an amalgam of aesthetics and envy."

Lord Lawson declined to give advice to the present Chancellor, Mr Kenneth Clarke, beyond saying: "If the Chancellor feels that some tax increase is necessary, the rates of income tax and corporation tax should be not be changed."



Lord Lawson (right) yesterday: advice on helping the poor

Modest lifestyle of rich revealed

By Clive Cookson

MOST of the 70 affluent families chosen for a survey because their wealth was based on businesses and landed estates felt "middle class", Professor John Scott said at the conference yesterday.

Prof Scott heads the survey commissioned by the Economic and Social Research Council and carried out by Leicester University.

Many of the 70 Midlands families "believed an upper class establishment existed to which they did not belong, either because it was London based or because entry depended upon a university education," Prof Scott said.

Many also claimed their biggest extravagance was their weekly supermarket shopping bill or going out for a meal - even though they might own a private yacht, jet or stables for hunting. All the families had at least £250,000 in liquid assets excluding the family home, and several of the richest were worth tens of millions of pounds. But they were all careful about how they spent their money, said Prof Scott.

The women in the sample were less content than the men. Only five of the 70 families in the survey had women heading their business activities; in the others, almost all key decisions were taken by men. "The men assumed that their wives were quite happy with their situation," said Prof Scott. But the women were often discontented. "At every point in the business of accumulating wealth, women are marginalised," he commented.

"But the popular image of man as wealth creator and women largely as beneficiaries does not hold water." The study found that women played a crucial role through direct work and providing capital in the initial stage of wealth creation. As one interviewee put it, "it was his dream; my money".

Some women were edged further out by the domination of their male kin at board and managerial level. "I don't feel I'm a member of my husband's family," said one. Women also played little role in planning family strategies because of the tradition that the oldest son inherits the main estate.

Tax evasion dwarfs benefit fraud

By Nuala Moran

THERE is one law for the rich who fiddle taxes and another for the poor who fiddle social security payments, Dr Dee Cook, a lecturer at the Department of Criminology at Keele University, told the British Association meeting.

The scale of social security fraud is dwarfed by tax evasion, she said. Yet more staff and resources go towards policing benefit claimants than taxpayers. Dr Cook says that figures for money "saved" by

DSS investigators represent an actuarial amount rather than an actual sum.

Fraud officers multiply a fraudster's weekly benefit payments by 52 (the notional number of weeks the fraudster claim may have lasted) to arrive at the sum the Department of Social Security claims to have saved as a result of its investigations.

Using this formula the DSS claimed to have saved £416m in 1991-92. But in 1991-92 the Inland Revenue's investigation work yielded £5bn. There were

4,379 prosecutions for benefit fraud in 1991-92 compared with 249 for tax fraud. Dr Cook said that in contrast to the high-profile crackdown on DSS fraud, there had been little attempt to direct popular attention or additional resources towards the "burgeoning problem of tax evasion".

Despite the successful fight against tax fraud, tax evaders were seen as victims of harassment by the taxman while benefit fraudsters were portrayed as simply villains.

Rules for pensions 'out of date'

By Nuala Moran

THE GAP between rich and poor pensioners will continue to widen unless pension rules are changed, Professor Chris Phillipson, professor of applied social studies at Keele University, warned at the conference yesterday.

He said the rules should be modified so that they reflected shifts in employment patterns such as the trend towards flexible contracts and early retirement.

Government policy was based on outdated assumptions about continued participation

in paid work. Prof Phillipson said. He put forward a plan for reform of the social security system and for increased rights for older workers, and called for:

- Recognition that paid work is often concentrated into a limited number of years.
- Equal value to be given to care work in the home and to paid employment.
- Protection for older workers who are trapped between the end of employment and receipt of state pensions.
- Greater security in employment for older workers in order to stop them being

treated as a disposable element of the workforce.

Prof Phillipson said women were especially disadvantaged. "The pensions system must be overhauled if it is to be equitable. It needs to be recognised that many people do not work full-time throughout their working lives."

"If certain groups, for example women, are not to lose out permanently, benefits should be attached to individual citizen rights - reflecting the variety of roles undertaken by individuals during the course of their 'working' lives."

EC urged to modify regional aid rules

By Tim Burt

THE government yesterday launched its bid to win European Community regional aid aimed at areas hit by defence spending cuts.

It called on the European Commission to relax rules that prevent funds being allocated to prosperous parts of the country such as the south-west in which the decline in military orders has led to large job losses.

Submitting an outline bid for £15m of EC aid, the government said some parts of Britain worst hit by defence cuts may not qualify for aid if the Commission applied its structural funds objectives.

These objectives restrict aid spending to areas of industrial decline or rural regions which need modernisation. The government is concerned that adherence to the rules would mean counties such as Avon - in the west of England - where an estimated 7,000 defence-related jobs have been lost in the past six years, would not be eligible for part of the £100m Konver fund.

The fund, announced in April, is designed to be used for retraining, job-creation schemes and the regeneration of disused military bases.

The Western Development Partnership, the public and private sector forum which is supporting a joint bid for EC aid by the south-western English counties of Avon, Wiltshire and Gloucestershire, said thousands more jobs would be lost if the Commission rejected the government's bid.

The partnership said: "The three counties could expect to lose a further 7,000 Ministry of Defence military and civilian jobs and over 12,000 from defence companies by the year 2000 if the Konver initiative fails."

Commission officials in Brussels signalled a willingness to accept the UK call for flexibility on where aid could be spent, saying the funds would reflect "the special circumstances of the UK defence industry".

Scottish miners abandon link with Libyans

By James Buxton, Scottish Correspondent

A CONSORTIUM of coal miners which had been negotiating a financial lifeline with the Libyan government performed a U-turn yesterday in face of public criticism from its financial advisers and opposition from politicians.

Monktonhall Mineworkers announced that, if it received an offer of finance from Libya, it "would not consider it or proceed if it were to prove offensive to our customers, the public or any other party". The consortium leases the Monktonhall colliery near Edinburgh from British Coal, the state corporation which owns most UK pits.

Mr Jackie Aitchison, chairman of Monktonhall Mineworkers, confirmed that the company had been in touch through "a third party" with the state-owned Arab Foreign

Investment Company (Lafico) about obtaining funding to enable it to stay in business.

The intermediary had indicated that investment might be available, he said. Earlier it emerged that Mr Ron Brown, former Labour MP for Leith, who has long-standing contacts with the Libyan government, had put the miners in touch with Lafico.

Quayle Munro, the quoted Edinburgh merchant bank being paid by Lofthian regional council to advise the consortium and help solve its financial problems, issued a statement saying that the action taken by the miners' representative was "in all the circumstances ill-conceived".

The UK government is attempting to secure the extradition to Scotland of two men accused of being involved in the plot to bring down Pan Am flight 101, which crashed on Lockerbie in 1988.

European policies on jobs challenged

By David Owen

POLICIES designed to increase the rate of economic growth in Europe will do very little to cut unemployment, a former economics director of the Henley Centre for Forecasting argues today.

Mr Paul Ormerod, a visiting professor at Manchester University, says the problem of unemployment is a question "not of economics, but of social values and social relationships".

Employed people in the European Community have operated "in an effective cartel" against the unemployed.

Mr Ormerod says in a paper prepared for a seminar on full employment in Europe to be held this week that societies with low unemployment tend to have high levels of "social cohesion".

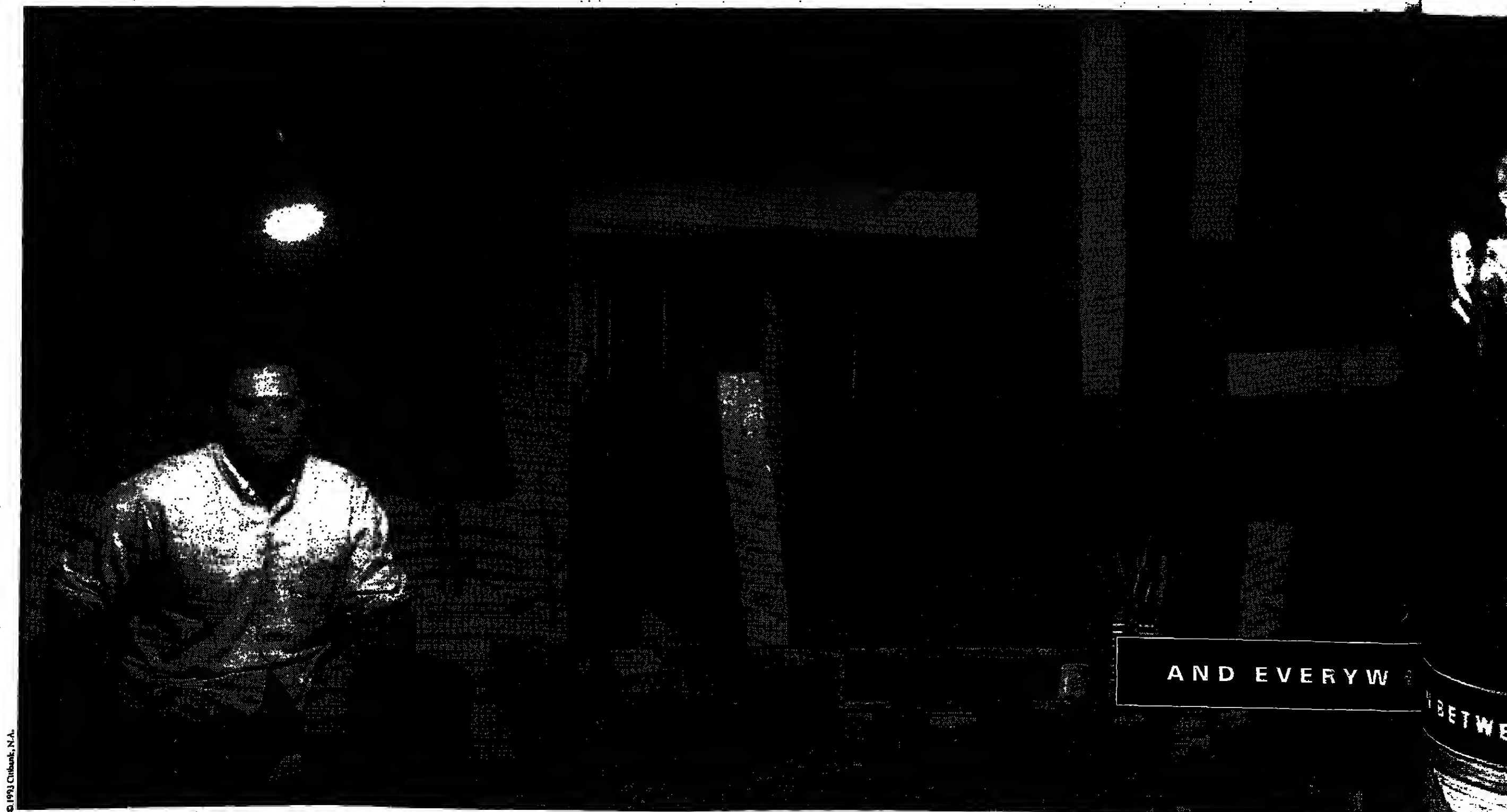
He pinpoints work-sharing as

one valid "technical" solution to high unemployment, but says this would require the agreement of many people to receive less income in exchange for more leisure.

In a challenge to "orthodox" economic analysis which emphasises the need to generate economic growth to bring unemployment down, Mr Ormerod argues that there is no such connection between job creation and growth.

The US and the European Community have grown by "almost identical" amounts in the last 20 years, yet employment in the US is up by 45 per cent against only 7 per cent in Europe, he says.

The seminar will come a month after Mr David Hunt, employment secretary, called for a national consensus between the main political parties on a strategy for tackling long-term unemployment.



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Earlier this year Union Minière, Belgium's big metals producer, found it was paying various trade associations totalling BFR165m (£3m). The discovery was made as the new management dug into every corner of head-office operations, primarily to see if UM was getting value for money but also as part of a quest for further spending cuts.

Jean-Pierre Rodier, chief executive, says the divisional managers may still join trade associations but the fees are no longer a corporate head-office expense. Managers must first justify the memberships and then pay from their own budgets.

Rodier's cost-cutting exercise is an illustration of just how much money can be saved by companies which really put their mind to the task. Individually the initiatives can seem relatively minor - the group, for example, found it could save BFR500,000 a year by installing water fountains rather than sticking to tradition and distributing bottled water to staff. Cumulatively the savings can add up.

UM used to take pride in the fact that, if any senior executive asked for some information, it was usually provided within two hours. The company found that BFR90m to BFR100m a year could be saved by assessing which data banks were absolutely necessary to the group and by insisting that, whenever possible, these should be accessed at night when rates were cheaper.

There was also scope for reducing the cost of employing outside consultants. UM had so many on retainer that it took a great deal of head-office time to manage them. Rodier has now set new guidelines for a "just in time" system, or "using a consultant only when we are certain we need one", and reckons UM will save BFR100m a year.

Then there was the question of whether Centre du Zinc, an organisation to promote the use of zinc in France, was giving value for money. It was costing UM and Metaleurop, another zinc group, BFR45m a year each to finance the centre. Rodier says UM calculated that, to have justified this outlay, zinc consumption in France would have to increase at 10 per cent a year. "Of course, this was not happening so we came to the conclusion that we should close the association. It terminates in October."

UM in its present form started life in 1989 when the hitherto autonomous metals-related companies owned by Société Générale de Belgique, Belgium's biggest holding company, were brought together. Rodier decided to merge six separate head offices, all in different cities, into one in a small office on the outskirts of Brussels. This action reduced head-office staff numbers from 450 to 295 and cut



Jean-Pierre Rodier has implemented a series of cost-cutting exercises

Union Minière of Belgium has employed a wide range of cost-cutting measures, writes Kenneth Gooding

Digging out value for money

annual running costs by BFR700m.

Rodier says the measures mentioned above, and others, will save another BFR400m a year.

The inspiration for these was a cost-value analysis where all spending was itemised and a small management committee decided whether it was of value to the company or not. The cost-value analysis was part of a group-wide exercise to improve annual margins by BFR4m by 1994-95 compared with 1991. This BFR4m figure was arrived at by establishing what was necessary to move UM's historic return on equity from the average of 8 per cent which it has achieved over the business cycle to the 14 per cent target which its parent, SGB, sets all its operations.

UM, the world's biggest producer of refined zinc, with 11 per cent of the world market and 23 per cent of the European market, also used

benchmarking for its manufacturing plants to establish what the targets should be. Benchmarking is a systematic process for identifying, measuring and improving the critical success factors of a business against competitors, especially those recognised as industry leader.

This benchmarking exercise identified a BFR500m annual cost gap between the best zinc businesses in the world and UM's - a finding which at first the UM management found difficult to believe because the Belgian group uses some of the best technology available.

But when UM looked more closely to see how the gap could be closed, it found a host of very small differences which added up to BFR450m. "We were not paying enough attention to the day-to-day details of the business, probably because of our excellent technology," says Rodier. Other areas that required attention

included the way maintenance was carried out, the number of people looking after raw materials and even the number of people cleaning buildings.

UM's Belen refinery is now using an outside cleaning contractor which pays its employees less than what UM paid each employee, and is expected to clean 50 per cent more area. UM has also changed its pay policy. Bonuses used to be linked to financial results. As Rodier says: "When zinc prices were high, you got a bonus, when the dollar was high, you got a bonus - no matter what you did."

Now bonus payments are paid only if there is an improvement to bottom-line profit compared with the previous year after the impact of the metal price and dollar rate movements have been removed. Rodier stresses, bonuses are not linked with budgeted figures.

Are you an optimistic or pessimistic boss?

Discover whether you are a benevolent autocrat, a cynic or a trusting manager, writes Adrian Furnham

A pessimist is an optimist with experience. Listen to the US management gurus, who seem to model their delivery style and their beliefs on TV-evangelists and you might believe that all workers are fundamentally good, diligent and legal.

All that is required is a corporate vision, sincerity and a caring ethical boss and the workforce will deliver.

The optimist, it is said, believes that we live in the best of all possible worlds and the pessimist fears this is true. Is the pessimist one who, when he has the choice of two evils chooses both, or is he a realist? Is a pessimist one who feels bad when he feels good for fear he will feel worse when he feels better, or simply a shrewd and accurate observer of life?

The British seem more reserved and sceptical than other nationalities. More used to the threat of the stick than the promise of the carrot, they appear not to hold such a rosy view of their fellow man and less still of their fellow woman.

Followers of the French idealist Rousseau stand in sharp contrast to the bleak perception of the Englishman Thomas Hobbes. The pessimistic, modern manager might believe that "man was born free everywhere is in chains", on his way to a nasty, brutish, tedious and unsatisfying job.

For some, the experience of management is that people avoid work because they inherently dislike it. They have to be completely controlled, directed, bullied and threatened. They prefer not to show responsibility or empowerment and need to be constantly monitored.

About 80 years ago a US academic called McGregor who was interested in what determined a person's leadership style said managers were likely to hold one of two "philosophies" about workers. One, labelled theory X, maintained that people do not like work, avoid it, have little ambition, try to avoid responsibility and need firm direction, control and coercion. Subscribers to theory Y maintained that under the right

conditions people not only work hard, showing commitment and talent, but also seek increased responsibility and challenge.

Test yourself to see if you are a theory X or Y believer. Give yourself 4 points for strongly agree, 3 for agree, 1 for disagree and 0 for strongly disagree.

1. Almost everyone could probably improve his or her job performance quite a bit if he or she really wanted to.
2. It is unrealistic to expect people to show the same enthusiasm for their work as for their favourite leisure-time activities.

3. Even when given encouragement by the boss, very few people show the desire to improve themselves on the job.
4. If you give people enough money, they are less likely to worry about such intangibles as status or individual recognition.

5. Usually when people talk about wanting more responsible jobs, they really mean they want more money and status.
6. Being tough with people will usually get them to do what you want.

7. Because most people do not like to make decisions on their own, it's hard to get them to assume responsibility.
8. A good way to get people to do more work is to crack down on them once in a while.

9. It weakens a person's prestige to admit that a subordinate has been right and he/she wrong.
10. The most effective supervisor is one who gets the results management expects, regardless of the methods used in handling people.

11. It is too much to expect that people will try to do a good job without being prodded by the boss.
12. The boss who expects his or her people to set their own standards for superior performance will probably find they don't set them very high.

13. If people do not use much imagination or ingenuity on the job, it's probably because relatively few people have much of either.
14. One problem in asking for the

ideas of subordinates is that their perspective is too limited for their suggestions to be of much practical value.

15. It is only human nature for people to try to do as little work as they can get away with.

Score under 20 and you are an optimist.

You probably trust your subordinates and use a wide range of rewards. You may prefer group participation in decision making and like people to be well informed.

Score 21-30 and we see more caution with substantial, but not complete, confidence and trust in subordinates. You wish to keep control of most important decisions.

Score 31-45 and some may consider you a benevolent autocrat. You have a rather condescending confidence and trust such as a master has in a servant.

You tend to believe in economic motives and do not fraternise with your staff.

Score 46 and above and face it you are a cynic about the average worker.

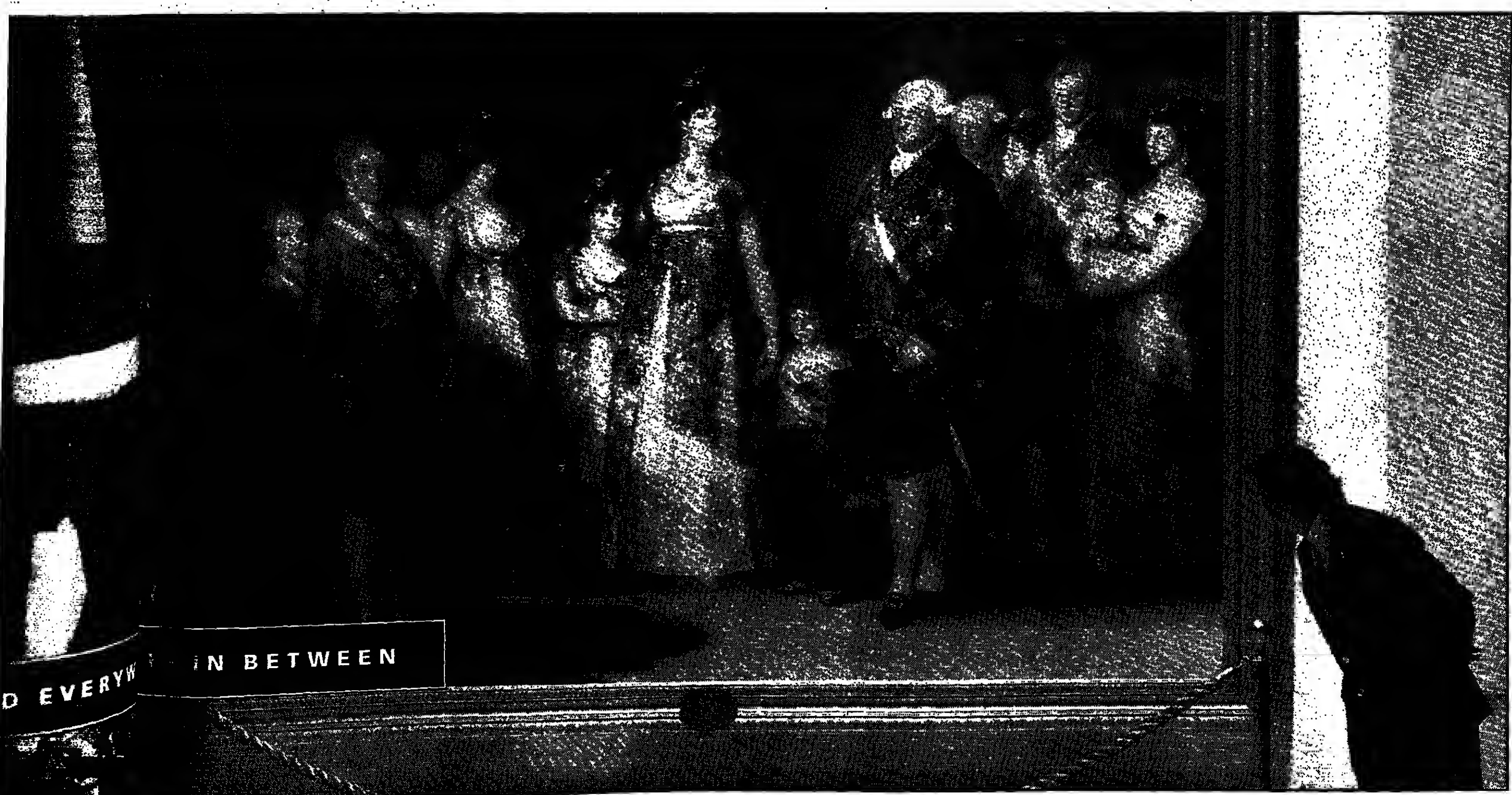
High scorers may even be exploitative autocrats who have no confidence in their subordinates, preferring physical and economic security as a motivational force. All stick and no carrot.

Top scorers despise "soft" management techniques and maintain that the department of hard knocks at the university of life taught them what they know. Low scorers recoil in horror at the monster they see in the high scorer, equally convinced that their experience at work tells them they are right.

Neither side is prepared to concede.

Hence we need the understanding to know the things we cannot change about workers; the courage to change and improve the things we can change; and the wisdom to know the difference.

Adrian Furnham, is Professor of Psychology at University College London.



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BUSINESS AND THE ENVIRONMENT

Victoria Griffiths on attempts to manage New England's forests

Seeing the wood for the trees

A trip to New England's northern forests appears comforting to anyone looking for unspoiled nature. Trees cover vast areas - New Hampshire and Vermont boast 80 per cent tree cover and Maine 90 per cent - and the forests are home to large populations of deer, moose, black bear and other wildlife.

This is misleading though, according to environmentalists, who are concerned about increased logging and mounting pressures for property development in the region. Pressure is building as a result of rising prices for timber and property. The controversy over protection of the spotted owl in the Pacific north-west has driven up timber prices throughout the US. In the first six months of 1993, prices for New England softwood rose by 10 per cent, according to Sidney Balch, chief forester in Maine for Boise Cascade, the paper and timber group.

"With new restrictions on logging in other parts of the country, a lot of demand is heading this way," says Roberta Borland, executive director for the Vermont Forest Products Association. In 1992, Vermont produced 502m board feet of timber, more than twice that of 1970. John Hancock Mutual Life Insurance Company's purchase last month of 238,000 acres of forest in Maine, New Hampshire and Vermont troubled environmentalists. According to the company, the land will not be used for property development, but ecologists are worried.

"There are a lot of land deals going on that we don't know about," says Lewis Milford, who heads the Vermont Conservation Law Foundation, an environmental agency. "And when you see large tracts of land changing hands, it all adds to the uncertainty."

Ironically, concern over the future of New England's wooded lands comes at a time when many ecologists are celebrating the seemingly miraculous recovery of the area's forests. The forests are a rela-

tively new, natural resource. By the late 1800s, settlers in the region had cleared most of the timber to make room for farms. Immediately following the American civil war, Vermont had just 25 per cent tree cover, New Hampshire 30 per cent and Maine 40 per cent. When farmers moved to the more agriculturally friendly mid-west, the forests of the north east took over once more.

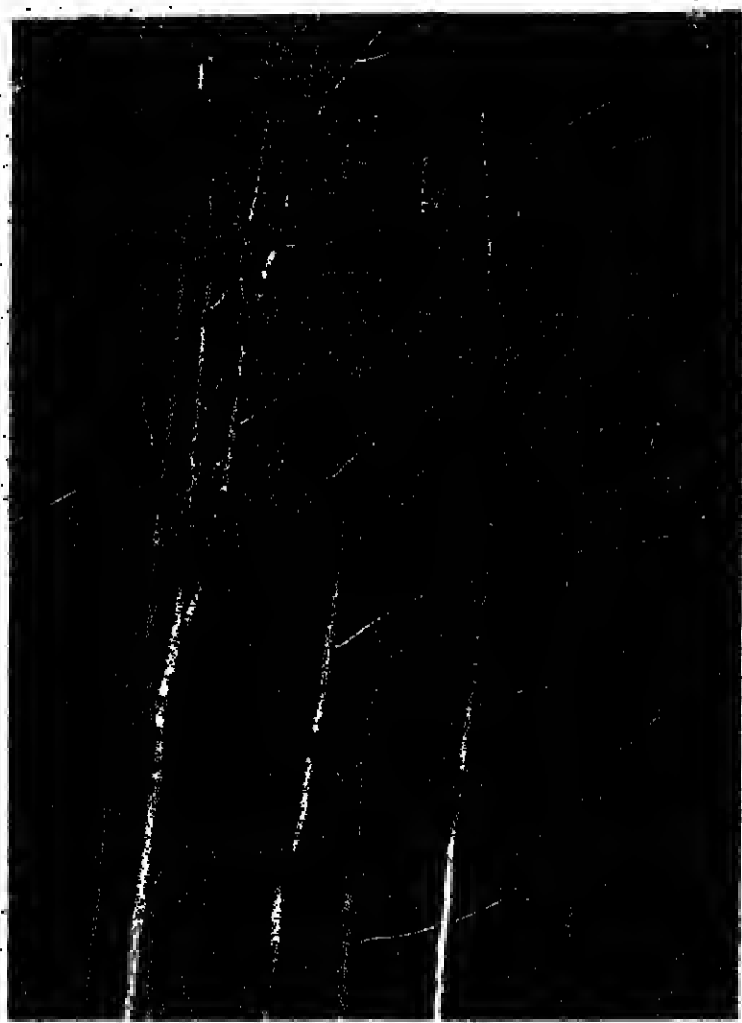
New England's forests have also become a vital natural resource for the region, accounting for at least \$6bn (\$4bn) a year in economic activity. Logging is just part of the equation. Sawmills, paper and pulp factories, furniture makers and maple syrup producers are all dependent on timber from the region.

Industrialists and environmentalists alike are determined to maintain the sector's vitality. "All sides of the issue want to see this economic activity encouraged," says Charles Levesque, executive director of the Northern Forests Land Council, a group formed to study the impact of development on the forests' ecosystem. "It's a question of how the land should be managed, how many trees should be cut at a time and how much clear-cutting should be allowed."

Several factors make life more difficult for ecologists. Unlike the Pacific north west, which is covered by vast tracts of public lands, the vast majority of New England's wooded areas are in the hands of private owners.

For states which are known for stringent environmental controls, the laws protecting New England's forests are surprisingly loose. New England forests also lack the rare plant and animal life and old-growth forests which have been invoked to enforce protection in other parts of the country.

"Because this is a new natural resource, it's relatively homogeneous ecologically," says Gary Decordova, who heads the Green Mountain National Forest agency. "In fact, one of our challenges is to



Increase diversity.

To maximise the economic impact of logging in the northern forests, state governments are hoping to encourage more "value-added" activity. Vermont recently converted 12 schools from electric to wood-burning heat to encourage local wood use, cutting energy costs by 10 per cent according to David Stevens, director of forests for Vermont.

To encourage value-added activities, New England states have launched a marketing campaign to attract wood-based industries to the area. Several furniture and furniture parts makers have opened their doors and companies have begun to make everything from wood curl packing materials to musical instruments.

Even if the logging industry is well-managed, however, the region's forests will still be threatened by pressures for development in the region. Demand is beginning to pick up for second-home building.

"What you get with second home development is a lot of small parcels of timber," says David Kiltredge, associate professor of forestry at the University of Massachusetts in Amherst. "This poses an environmental problem, because the wildlife can't get to where it needs to go without crossing through developed areas or over highways. It also creates huge problems for the logging industry. Even if a lot of tree cover remains, it's expensive to move all the equipment around to log small plots of land."

Environmentalists hope to introduce legislation to improve controls on land use and forest practices in the region, but with so much land in private hands, they are likely to face an uphill battle.

But despite the problems, industrialists and ecologists in the region remain optimistic they will be able to resolve their problems. "The conflicts are building, but we still hope that with continued dialogue, we can manage the forests in such a way that everyone will benefit," says Balch.

When conservation efforts fail to protect

Despite sound funding and noble intentions, a project to curb deforestation rates in north-west Ecuador has collapsed, reports Raymond Collett

Environmentalists applauded when the Global Environmental Facility was set up three years ago to create a United Nations-backed international fund for developing countries. They saw the GEF as a way for north and south to share responsibility for global environmental problems.

The World Bank was administrator of the fund. Developing countries were to receive \$1.5bn (£1bn) over three years for projects on protecting the ozone layer, international waters and biodiversity, and limiting greenhouse gas emissions. Yet earlier this year, a proposed GEF project in Ecuador, Ecopforest 2000, was dropped because of its controversial social and environmental implications. Its failure revealed the obstacles in implementing the GEF's objectives and raised questions over the World Bank's role as the administrator of such a fund.

Ecopforest 2000 was conceived as a long-term forestry management scheme to minimise deforestation of primary forest by planting tree farms for sustainable use by commercial timber companies. The tropical rainforest in north-west Ecuador has one of the world's highest biodiversity densities, but also one of the highest deforestation rates.

It was the first project to be approved by the International Finance Corporation, the private-sector financial arm of the World Bank, using GEF funds. At first sight a laudable initiative, it was soon criticised by local communities and environmental groups.

Many asked why only a single managed timber source was planned as an alternative to existing sources, namely the Durini Foundation, a family-owned lumber group which is one of the wealthiest businesses in Ecuador.

The small landowners were said to have equal or larger environmental importance. The effect on the indigenous groups

was also questioned.

Lorena Gamboa of the environmental group Acción Ecológica criticised the IFC-GEF's impact study, saying it underestimated the effect of resettling 40 to 50 families to establish tree farms. Landless farmers were likely to increase pressure on deforestation and colonisation of virgin forest, she claimed.



The GEF's plans to lease lumber rights from indigenous people at extremely low prices in some of the last large tracts of primary forest also proved contentious.

While such concerns were being voiced, expectations for the project to meet community needs - to lessen acute poverty and enable development of regional infrastructure such as health services and schooling - were large. And these high expectations exacerbated the project's problems.

The IFC-GEF's alleged insensitivity to community needs prompted many to question their commitment towards conservation. Ecociencia, for example, an

ecological research centre, says the project failed to provide an alternative for principal agents of deforestation in the area - the colonos, or settlers. Colonos subsist on sale of timber or clear land for farming.

Teodoro Bustamante, a member of Fundación Natura, Ecuador's largest environmental group, says the project's aim of a single and managed timber source in the area was based primarily on commercial principles, with conservation only a secondary consideration.

The IFC-GEF sponsored review of the project, released in March, confirmed many of the criticisms and reevaluation needs. Funds were subsequently frozen and a round-table talk was scheduled for all those involved. But before the meeting, the IFC delegation announced its withdrawal.

"We were all disappointed by the withdrawal," says Bustamante, "and it ridiculed the entire consultation process, illustrating that they were not really interested in our input."

The subsequent collapse of the project has cast doubt on the potential for alternatives to the continuing destruction of tropical primary forest in Ecuador.

Environmentalists are left with only bitter reproaches for how the project was handled. And the failure of the Ecuadorian government to develop a strategy of sustainable forest utilisation, and to allocate sufficient resources to the management of forests and protected areas, has created a hostile climate for foreign aid to benefit the country's environment.

But others believe one lesson can be learnt from the experience - future projects would benefit if environmental groups and local communities were involved in the early design of a project.

The need for this is highlighted by scientific studies showing that the 4 per cent annual deforestation rate will devour tropical forests of north-west Ecuador in a decade or two, eliminating an estimated five animal species per day.

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Leading through Strength in R&D

In support its core activities in 'Electronics and Energy', Toshiba Corporation has expanded into vast array of fields—information and communication systems and electronic devices to heavy electrical apparatus, and consumer products.

In each of the areas Toshiba has targeted, the secret behind the company's success, believes company president Fumio Sato, is the high priority placed on research and development.

By Russell McCulloch



Mr. Fumio Sato, President and Chief Executive Officer, Toshiba Corporation

Technologies—A Driving Force for Corporate Growth

McCulloch: *We are all looking forward to a recovery in the world economy. What do you think is the most important factor for Toshiba's continued corporate growth?*

Sato: Kisaburo Yamaguchi, a former president of Toshiba, once said that a manufacturer without R&D facilities is like an insect without antennae. Strong technological capabilities provide the basis, the driving force, for corporate growth. This means that the ability to create innovative products is a key factor determining corporate strength in this severe business climate.

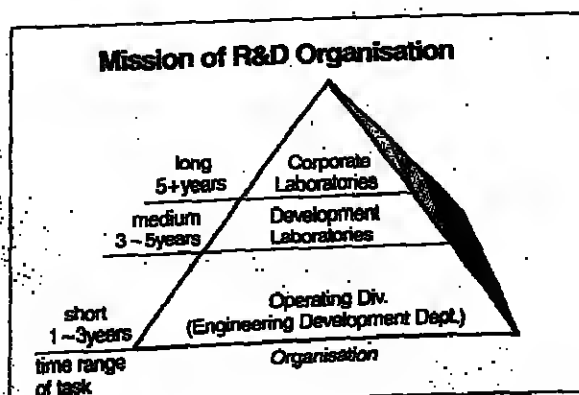
R&D also plays an important part in our "Three G" policy, covering Growth, Group and Global. To achieve growth, we have to direct our resources to facilitate expansion in promising areas. Our group policy is geared to enhancing group R&D, and so strengthen the overall capabilities of Toshiba Group. Our global target is continued promotion of globalisation, including expansion of overseas R&D and production. Here, we are also pursuing greater localisation in the management of our overseas subsidiaries, and realising our policies for competition, cooperation and complementarity through global alliances with major international companies.

Three-tier R&D Structure

McCulloch: *How is Toshiba's R&D organised?*

Sato: Our business interests are very diverse, ranging from information and communication systems and electronic devices to heavy electrical apparatus and consumer products. We see our field as "Electronics and Energy", from which we have derived the Toshiba slogan "E&E." We carry out research in the wide variety of technologies required to support "E&E."

Our R&D is organised in a three-tier hierarchy, with laboratories at each level carrying out different assignments. In the first-tier, the laboratories at our corporate Research and Development Centre conduct research from a long-range perspective of more than five years. That is, working on basic technologies that might be utilised in products in five or more years from now. The second-tier development laboratories belong to our different business groups. They are oriented to practical application of the technologies developed in the corporate labs, and are looking at commercialisation of new products within a three to five year time span. Final commercialisation, in under three years, is carried out by the engineering departments in each operating division.



McCulloch: *It sounds as if the corporate laboratories are pushing forward essential research. Can you tell me more about their structure?*

Sato: Well, in October last year we completed a major restructuring of corporate research and development. What we wanted to achieve was a further refinement of our capabilities. We wanted to break down barriers, promote inter-disciplinary activities and

quicken our responses to fast-changing trends. We now have eight laboratories that make up the R&D Centre. They are Advanced Research, Materials & Devices Research, Communication & Information Systems Research, Energy & Mechanical Research, ULSI Research, Systems & Software Engineering, Environmental Engineering, and the Kansai Research Labs., which are responsible for R&D in information and communication technologies. Each of these is free to carry out their own projects. There is one more organisation I should mention. The Manufacturing Engineering Research Centre is responsible for developing production technologies used throughout the company. These are essential for reliable mass production of precision equipment.

McCulloch: *What about numbers? How many engineers work in R&D?*

Sato: Quite many. One of the reasons why so many Toshiba products enjoy worldwide recognition is because they incorporate the skills of our engineers and researchers, who number about 45 per cent of Toshiba Corporation's 75,000 employees. Researchers alone account for around 20 per cent of all employees. About 60 per cent of these work in the engineering departments, with the others equally divided among the R&D Centre and the development labs.

McCulloch: *You have an extensive R&D structure in Japan. What about overseas?*

Sato: We have four important overseas facilities. In January 1991, we set up the Toshiba Cambridge Research Centre in the UK to carry out basic research in semiconductor physics. Europe has taken the initiative in research in this field. In the US, our Advanced TV Technology Centre, established in May 1990, is working on new TV technologies, including High Definition TV. We also have US R&D facilities for software for information and communications systems and medical equipment.

Working towards a Synergy in Operations—Multimedia Business

McCulloch: *Nowadays, we hear a lot about integrating technologies from different fields and about the impact multimedia will have. How is Toshiba responding to this trend?*

Sato: Multimedia has become a buzzword



in the computer and consumer product industries. My understanding of the concept is that there are many different media that can carry and present information: video, text, visual images, sound. When they are handled as analog data—the way most media are still configured today—then each medium has its own analog form. That means different kinds of information can't be handled together, in the same way or within the same framework. Now we are seeing a "digital revolution" that will be more or less complete by the beginning of the next century. As with computers, all information sources will be fused in digitalised data and we will be able to process it in one, unified framework. Digitisation removes the differences between media, fusing them into the framework of multimedia. Consequently, more effective use of information will be realised and we expect our creativity to be dramatically enhanced.

McCulloch: *So, multimedia means a fusion of the information, communications, audio and visual imaging equipment fields?*

Sato: That is right. And that is why I believe Toshiba is one of the companies best positioned to realise the full potential of multimedia. As a comprehensive electronics maker, we are working towards a synergy in the wide range of products and services we cover in our operations. Electronic components, image compression, image filing and battery technologies are indispensable to multimedia. Toshiba has already made major advances in all these areas.

McCulloch: *Can you give me some details?*

Sato: As I am sure you know, we play a leading role in the world semiconductor market. We have also pioneered the research, development and commercialisation of liquid

crystal displays (LCDs). In image compression, we are working to establish a world standard for a compression format which can send and record images without deterioration. Toshiba is a major player in CD-ROM and optical disks, products that have a central role to play in large volume data storage. In batteries, a joint venture with Asahi Chemical Industry to develop and manufacture lithium-ion rechargeable batteries has just started operation. These are next-generation batteries that are small and light-weight. With Apple Computer of the US, Toshiba is working on CD-ROM based personal multimedia players.

Our efforts are not only tied to hardware. Our limited partnership with Time Warner gives us access to an extensive software library.

Directing Resources for Progress towards the 21st Century

McCulloch: *My understanding so far is that Toshiba has an extensive R&D operation and is active in a wide range of technologies. Turning to the long-term, which business areas will you focus on for the 21st century?*

Sato: We are great believers in the benefits of a highly advanced information society, and we are making every effort to support its realisation. We are investing our resources in information and communication systems, particularly in the areas of broadband communications, high-speed information processing and digital technologies.

Our electronic components business is one that will continue to be central to growth. As one of the world's leading IC manufacturers, we will maintain our competitiveness in the market by providing further high value added products. To take one example, we are working on the process technology for a future generation of 256 megabit DRAMs in a joint development with IBM and Siemens. We are also very active in promoting flash memory technology, through alliances with major companies. This is a very exciting product with a lot of potential, including the eventual replacement of hard disk drives. We are cooperating with IBM Japan in another key area, large-size colour LCD.

In the energy business, we are focusing on fuel cells and combined cycle power generation, which enhances heat efficiency by combining conventional thermal power generation with a gas turbine. These efforts allow us to play an active role in tackling conservation of limited resources and supporting environmental protection.

"E&E" Supports the 21st Century

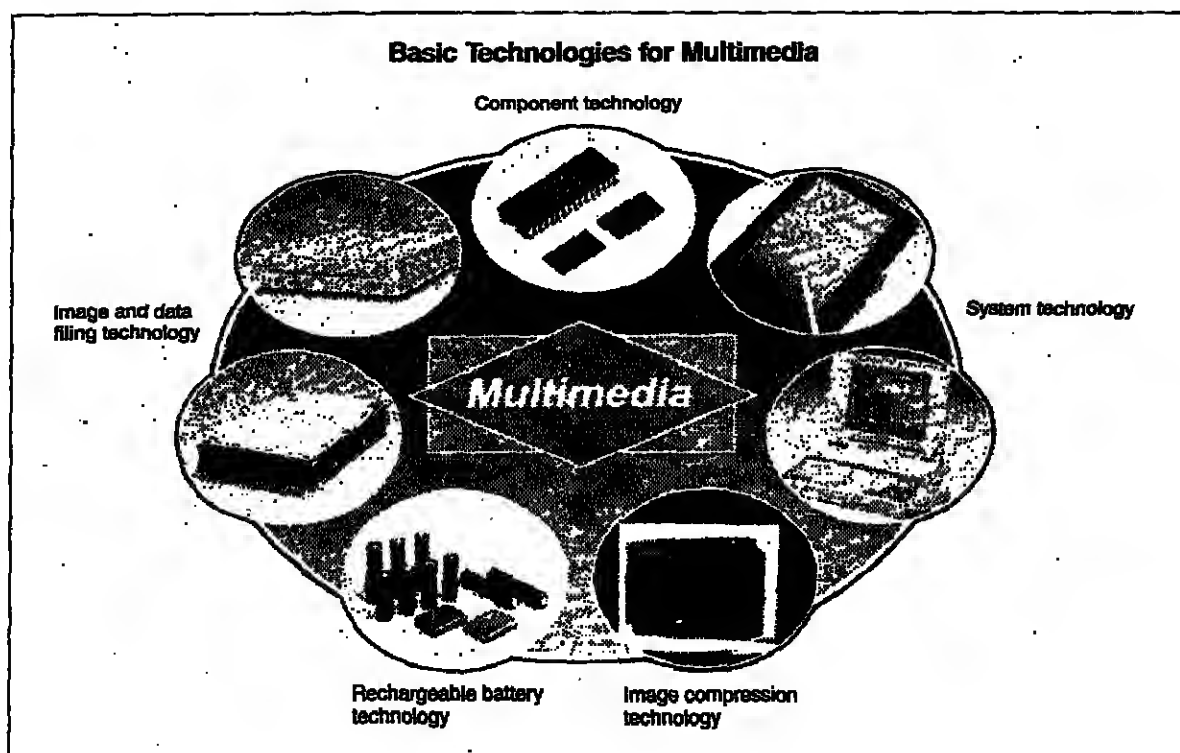
McCulloch: *What kind of integration technologies are necessary for the 21st century?*

Sato: I believe that the depletion of resources and the destruction of the environment will be critical problems in the 21st century.

Look at transportation. Every day, countless trucks are on the roads, carrying masses of products, materials and food. They cram the streets, burn non-recoverable fuels, and damage the environment. Ultimately, they hurt economic development and deplete natural resources.

Toshiba is conducting R&D into a new type of transportation system, a super-conducting magnetic levitated train. Here we are able to combine our wide-ranging capabilities in electronics with transportation technology, and develop an answer to our traffic problems. This is exactly the kind of integration made possible by our commitment to "E&E."

I believe that Toshiba has a lot to offer the world, as we cover a wide variety of businesses through Electronics and Energy. We have a huge potential to contribute to the progress of world society. The way I see it, that contribution is Toshiba's mission.



In Touch with Tomorrow
TOSHIBA

PEOPLE

TSB Scotland's new local hero

Bodies politic

The so-called Scottish financial mafia which dominates the top jobs in Scotland's business world has a new recruit. Gordon Anderson, 62, the next chairman of TSB Bank Scotland, comes from a background markedly similar to many of his peers in the industry.

He has spent most of his career as an accountant, like Forbes Macpherson, the current chairman. Anderson was deputy senior partner of Ernst & Young and a former president of the Institute of Chartered Accountants in Scotland, while Macpherson is a former senior partner of Touche Ross in Scotland.

They both live in the posh Glasgow suburb of Bearsden and share the same telephone code. Anderson lives in Marnie Road just a couple of doors



down from Lord Macfarlane of Bearsden, who helped restore Guinness's fortunes after the excesses of Ernest Saunders' chairmanship. Anderson and Macfarlane both went to the High School of Glasgow and are members of Glasgow Golf club.

However, one can't quibble with the incestuous nature of the Scottish financial establishment if it guarantees results like those of TSB Bank Scotland. Last year it made pre-tax profits of £79.4m, or nearly twice as much as the whole TSB group. Sir Nicholas Goodison, chairman of the TSB Group, says that the Scottish market has always been a significant contributor to TSB's business and with a mortgage book of £1.5m, it is one of Scotland's largest lenders in the housing market.

Anderson, who has been a director of TSB Bank Scotland since 1981, takes over from the 67-year-old Macpherson next March. Anderson has also been appointed a member of the TSB Group, the parent of TSB Bank Scotland.

Elizabeth McCloy has been appointed, through open competition, chief executive of the OCCUPATIONAL HEALTH SERVICE and medical adviser to the civil service; she succeeds George Sorrie who has retired.

David Freeland, former national secretary of the British Furniture Manufacturers' Federation, has been appointed secretary general of the INSTITUTE OF PRINTING.

Brian Nicholson, chairman of the Advertising Standards Board of Finance, has been appointed chairman of the ADVISORY COMMITTEE ON ADVERTISING; he succeeds Anne Ferguson, who remains on the committee.

Keith Edwards is to succeed Viv Bingham, general manager personnel services at the CWS, as chairman of the NATIONAL WHOLESALE TRAINING COUNCIL.

Mary Acland-Hood has been appointed temporary secretary general of the URANIUM INSTITUTE while a permanent replacement for David Kay is sought.

Michael Morris, a director of High Point Europe, has been appointed the British representative on the standing committee of the International Chamber of Commerce INTERNATIONAL CENTRE FOR EXPERTISE.

Sir Geoffrey Allen, executive adviser, Kobe Steel, has been appointed chairman of the UK/JAPAN AND ASIA-PACIFIC ADVISORY GROUP on Science and Technology.

Dew quits Thornton

The weekend departure of Peter Dew from his post of managing director at Thornton group, the fund manager owned by Dredner Bank, was "entirely amicable and friendly and to do with a change in the management system," according to Lord Peter Walker, the former cabinet minister who chairs the group.

"There is no longer any real role for a conventional chief executive," says Lord Walker, who wants to see Thornton engage itself more actively in Europe, with funds jointly managed in, for example,

Paris, Frankfurt and London. "We will be producing more European products and I see expansion both there and in the Far East."

Dew has long been regarded as a leading figure in Far East investment, and joined Thornton in 1988 after a period running his own property business. Among his positions before that had been a 16-year stint as director of Mercury Asset Management. Thornton has plans to acquire Aetna UK's unit trust business and Lord Walker says "we will be making a number of other expansions and acquisitions, and I want to bring in a younger generation to manage the business over the next 15 years or so. I have made

sure that Peter Dew has been treated very generously; the parting has been very amicable."

Chris Hows has been promoted to become head of settlements at NATWEST Investment Services.

Alastair Mackintosh and Andrew Smith have been appointed directors of FRUSTRATION Venture Managers.

Andrew Hunter, group head of credit risk management, has been appointed general manager Americas at STANDARD CHARTERED on David Grant's retirement. He is succeeded by Mick Green, chief lending officer, UK retail banking with Lloyds Bank.



Lesley Klein and Michael Bear (left) have recently joined one of the City's more unusual boards, that of Bethnal Green City Challenge, one of 20 nationwide city challenge organisations set up by the department of the environment to rejuvenate Britain's dilapidated inner-cities.

Bethnal Green's version is 18 months into its £25m five-year programme. As chief executive, Klein, an accountant by training, is engaged full-time on a variety of projects, while Bear, chairman, is on secondment (one day a week) from his post as managing director of BICC Developments, the property arm of the BICC Group.

The City Challenge organisations are a peculiar mixture of

public money and private sector volunteer work. In Bethnal Green, says Klein, one of the biggest challenges is to integrate more fully its large Bangladeshi community into the life and work of the area.

"We are a stone's throw from the City. We can see the wealth it has but the local ethnic communities here are inspired by that, they have a very commercial and entrepreneurial attitude," says Klein.

Like many others they are paying for an upturn in the property market; one of the biggest projects - currently on hold - is a planned rejuvenation of the Albion brewery site in Whitechapel which it is planned will house a new superstore for the retailer J. Sainsbury.

National Westminster Bank

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NOTICE TO HOLDERS OF TRANS-WESTERN EXPLORATION FINANCE N.V. 8.75% CONVERTIBLE SUBORDINATED GUARANTEED NOTES DUE APRIL 1, 1998 AND 9.00% CONVERTIBLE SUBORDINATED GUARANTEED DEBENTURES DUE MARCH 1, 1997

NOTICE IS HEREBY GIVEN that, by an Order made on the 21st day of August 1993 under the above seal, the Court has directed a meeting to be convened of the holders of (i) the Scheme Preference Shares and (ii) the Scheme Ordinary Shares and the holders of the Scheme Preference Shares to be held at the offices of the Company at 21st day of September, 1993 at the respective times specified below:

(i) the Meeting of the holders of the Scheme Ordinary Shares at 11.30 am;

(ii) the Meeting of the holders of the Scheme Preference Shares at 11.45 am or as soon thereafter as the preceding Meeting shall have been concluded or adjourned.

Copies of the said Schemes of Arrangement, together with the Form of Resolution referred to therein, forms of proxy and copies of the statement required to be furnished pursuant to Section 436 of the above mentioned Act can be obtained at the principal office of the Company at the offices of its solicitors, The Solicitors of the Company, in a copy, sent, free of charge, to the holders of the notes or debentures.

The said shareholders may vote in person at each of the said Meetings or by proxy if they are entitled to attend and vote at such Meeting.

In the case of joint holders of other class of shares the vote of the senior holder shall prevail, whether in person or by proxy, with the exception of the election of the directors of the Company.

It is requested that those appointing proxies be lodged at the Company's registered office, 21st day of September, 1993, at the offices of its solicitors, The Solicitors of the Company, in a copy, sent, free of charge, to the holders of the notes or debentures.

By the said Order the Court has appointed Sir Peter Leveson as the Liquidator of the Company and as the Liquidator of the Company.

The said Schemes of Arrangement will be subject to the subsequent approval of the Court.

DATED 1st September, 1993

Andrew Morris Clerk
Barristers at Law
Solicitors to the Company

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Andrew Morris Clerk
Barristers at Law
Solicitors to the Company

REQUEST FOR PROPOSALS

The State of Washington State Investment Board (WSIB) is a public state agency with the investment management responsibility for 22 funds in three classes: retirement, insurance and permanent funds. WSIB is issuing a Request for Proposals (RFP) for the purpose of hiring one or more qualified firms to provide international investment management services in a passive non-U.S. equity managed portfolio.

Although investments will be passive within countries, the individual country weights will be directed by WSIB. Approximately \$200-\$250 Million U.S. in assets initially will be invested in the passive non-U.S. equity managed portfolio.

To be qualified, an offeror must manage \$1 Billion U.S. or more in a passive international equity product, have three or more years performance history in the subject product, manage separate regional and country funds and have two or more institutional clients.

WSIB will begin mailing the RFP on September 3, 1993. Proposals are due October 5, 1993. If your firm is qualified and would like to participate in this procurement you may obtain a copy of the RFP by contacting by facsimile:

Mr John Lynch
Washington State Investment Board
Olympia, Washington
FAX: (206) 664-8912
Voice: (206) 664-8911

ABN-AMRO Holding N.V.

established in Amsterdam

The Managing Board of ABN AMRO Holding N.V. wishes to announce that it has been decided, with the approval of the Supervisory Board, to distribute an interim dividend for the 1993 financial year of NLG 1.45 per ordinary share of NLG 5 nominal value.

The interim dividend of NLG 1.45 may be taken at the shareholder's option either entirely in cash or NLG 0.25 in cash and a distribution of ordinary shares charged to the share premium reserve in the ratio of one new share for every 50 shares held.

The new ordinary shares will rank for the final dividend for the 1993 financial year and the full dividend for ensuing financial years.

Payment in the form of ordinary shares chargeable to the share premium reserve is exempt from Dutch withholding tax and income tax.

As of September 8, 1993, the interim dividend on ordinary shares will be payable at the following addresses:

Netherlands: any office of ABN AMRO Bank N.V.,

United Kingdom: National Westminster Bank Plc., Stock Office Services, (Crawley).

In connection with the above, NLG 0.25 and NLG 1.20, less 25% withholding tax, will become payable in exchange for dividend coupon nos. 13 and 14, respectively.

Shareholders opting for payment in the form of ordinary shares chargeable to the share premium reserve will receive one new ordinary share of NLG 5 nominal value in exchange for every 50 dividend coupons no. 14. The closing date is September 24, 1993. After this date holders of dividend coupons no. 14 can obtain payment in cash only. The new ordinary shares in respect of unexercised stock dividends will be sold.

Holders of CF-certificates will receive the cash dividend, less 25% withholding tax, and their rights to ordinary shares through the institutions where the dividend sheets belonging to their certificate were deposited at the close of business on August 30, 1993.

In respect of the exchange of dividend coupons no. 14, which must be provided with a company stamp on surrender, no commissions will be charged so that said exchange can be made free of charge to the holders.

Persons presenting dividend coupons no. 14 for exchange and requesting delivery of securities at offices other than those stated above may be charged commission.

Holders of registered shares, whose names have been entered in the ordinary share register will be notified individually by the company of the amount of dividend payable to them.

Amsterdam, August 30, 1993

ABN AMRO Holding N.V.

ABN-AMRO

ABN-AMRO Holding N.V.

established in Amsterdam

EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

An extraordinary General Meeting of Shareholders of ABN AMRO Holding N.V. will be held at 22 Foppingadreef, Amsterdam-Zuidoost at 10.00 a.m. on Tuesday, 14 September 1993.

Sole subject of the agenda: Change of the articles of association.

The agenda and the proposal for the change of the articles of association with the accompanying explanation, are open for inspection and may be obtained free of charge at Head Office, 22 Foppingadreef, Amsterdam-Zuidoost, the branch at 597 Herengracht, Amsterdam, and the banks mentioned below.

All shareholders and holders of depositary receipts may attend the meeting either in person or by a proxy authorised in writing, provided that the holders of ordinary bearer shares and depositary receipts have deposited their share certificates and depositary receipts, respectively, not later than Friday, 10 September 1993, at one of the following banks:

Netherlands: any office of ABN AMRO Bank N.V.

United Kingdom: National Westminster Bank Plc., Stock Office Services, (Crawley), ABN AMRO Bank N.V. (London, Birmingham and Manchester)

Holders of registered shares wishing to attend the meeting either in person or by a proxy authorised in writing must inform the Managing Board of the company in writing of their intention to do so (P.O. Box 600, 1000 AP Amsterdam) not later than Friday, 10 September 1993.

Persons other than shareholders and holders of depositary receipts who are entitled to attend the meeting must also notify the Managing Board of the company in writing of their intention to do so not later than Friday, 10 September 1993.

Subject to the provisions in the Articles of Associations, holders of ordinary shares and preference shares may exercise their voting rights at the meeting.

The receipt in exchange for the deposited shares or depositary receipts will serve as the attendance card for the meeting. The holders of registered shares will receive an attendance card by post.

The Managing Board,

Amsterdam, 30 August 1993

ABN-AMRO

Television / Christopher Dunkley

Retrotelly: where trash becomes art

SUMMER 1993 is proving a less than glittering season on British television. There are several reasons. The BBC has been going through the largest managerial change in its 70 year history: the "Britannia revolution" is being felt on screen, staff are preoccupied with operating the corporation's new internal market, "Producer Choice", and both BBC channels have new controllers. Alan Yentob, former controller of BBC2, having moved to BBC1, with his protégé Michael Jackson taking over BBC2. Perhaps it would be remarkable if, in the midst of such upheavals, they managed to create sparkling schedules, especially as the summer is always the dullest season of television's year anyway.

Yet even taking all that into account, BBC programmes seem to have been more drab and uninviting than you might expect. It is hard to escape the feeling that this has something to do with attempts to offset those huge over-spends a year or so ago when tens of millions of pounds "went missing" (in the ghastly phrase so beloved of television news programmes) because, if I understand correctly, in the days before Mr Birt's accountants moved in, different BBC departments withdrew the same sums of money several times over from computerised budgets without anyone noticing what was going on. This summer's abnormally large number of repeats could, perhaps, have something to do with balancing the books.

TV has also been feeling the effects of the largest managerial change in its history. True, their old system lasted less than 40 years, and some of the regional production companies - London Weekend (with 16 new millionaires on its staff last week thanks to the share options which held them in "golden handcuffs" through the supposed temptations to move elsewhere at the time of the licence auction) Anglia, Scottish and so on - have remained where they were, and to some extent as they were, through the revolution brought about by the franchise system. But the new process for getting programmes on to the air, with the Network Centre taking over as scheduling dictator, or "horse trading" system, has probably still not had its full effect on screen.



Bad drama class: Gerald Harper as Adam Adamant. Lead times for the production of big television series run into years, so we shall not see the full effect of the Network Centre's decisions even in the coming autumn season. However, some anxious programme makers are already suggesting that the centre, fearful about such long lead times, is opting for "short termism" and declining to support, say, documentary schemes which need several years to come to fruition, or even to commission a series as well-tried as *This Is Your Life* for more than 12 months. It seems it was this that drove its producers (Thames Television, now the biggest of Britain's independents, having lost their London licence to

Good Life are so popular that they regularly feature in Top 20 lists, many viewers still consider all repeats a form of "cheating" by the broadcasters and they assume that programme controllers should and do feel ashamed about being forced into using quite so many. But matters do not seem to be quite as simple as that. The gap between a common or garden repeat and a "retro" series is virtually invisible, and retro, at least among broadcasters, is becoming fashionable.

This column has long campaigned to sustain 10 per cent or so of the output from British television at a level which will make it attractive to the sort of people who read this page. BBC2 has always been the main provider of that sort of programme. Last week Jackson announced his plans for the autumn and he did have good news, especially in drama: *The Changingtun*, *Suddenly Last Summer*, *Hedda Gabler* and *The Entertainer* with Michael Gambou as Archie Rice are due this autumn. But in other categories, particularly music and arts, things look more doubtful. Animated versions of great opera arias and a 12-part series "featuring archive footage of some of radio's greatest disc jockeys in action". Most ominous was the manner in which Jackson chose to be photographed at his press conference. With an oil painting to mark the repeat of *Chalkdust*? No. With a piano as a reminder of coverage of the Leeds competition? No. He went before the cameras with a Captain Scarlett puppet to illustrate his decision to repeat the sub-*Thunderbirds* series *Captain Scarlett And The Mysterons*.

Could it be that Jackson, the first channel controller to have been through the "media studies" mill, is part of the Modern Review crowd who sincerely believe that *Dr Who*, the Mario Brothers and the Ray City Rollers are just as significant as *Dr Faustus*, *The Brothers Karamazov* and *Beethoven*, and that they have just as much to contribute to the arts? It looks as though that may be so. Time was when it was thought a bit of a giggle to raid the archives and pull out the most dreadfully dated junk to show over a bank holiday. John Wyver and Paul Madden started it at Channel 4, and in small amounts at long intervals it was, indeed, amusing, like coming across an episode

of Hopalong Cassidy on the cable network while stuck in some US hotel room overnight. But all of a sudden it seems to have gone from a bit of a giggle to a deadly serious part of the scheduling battle.

It is not always necessarily dirt cheap to show old (British) programmes; you may have to track down surviving actors and pay them again. It is fair to assume, however, that BBC2's 12 hours of programmes from the 1960s on Bank Holiday Monday, from 11.30 am to 11.30 pm, worked out a lot cheaper than making 12 hours of high quality programmes. There were mesmerising moments - Sandle Shaw in white flying helmet, clear wraparound plastic specs and huge false eyelashes, driving a sports car along a beach while singing "Get Your Kicks On Route 66", the cast of *Adam Adamant* looking and sounding like a bad drama class, Paul Johnson telling Germaine Greer "We used to have the most wonderful parties at 10 Downing Street" - but if a joke it went on too long.

If not a joke, if people high up in the BBC have really come to believe that about a school bully is a subject as worthy of our attention as renaissance painting or grand opera, then in spite of what has been argued here in the past, we may be approaching a time when television will no longer be a bit of medium for grown ups. Why has BBC2 made three programmes about David Frost rather than three about Peter Brook or George Steiner? Presumably because, first, people in television, the world's most self-regarding industry, honestly think that Frost is more important and, second, because the material on Frost but not on Brook or Steiner is all there in the archives.

It is one thing to fill the summer schedules with repeats of modern programmes for short-term budgetary reasons. It is quite another thing, at a time when the BBC is so insistent upon the need to provide high quality and be distinct from other broadcasters, to start packing the schedules with precisely the same sort of cheap retro stuff we are being offered by the satellite channels UK Gold and Bravo. If the people who run the BBC are going to march with bright smiles into that trendy world of relativism where all values are equal, then it does look as though the falcon cannot hear the falconer.

Opera / Max Loppert
Street Scene

SECOND offering of the 1989-94 English National Opera season is an absolutely first-rate revival of Kurt Weill's *Street Scene*. The company has taken time to get under the work's skin - when first shown at the Coliseum, in 1989, this David Pountney production seemed disappointingly overloaded with staging tricks. Now these are scraped away, to reveal an operatic cityscape teeming with acutely observed characters, and combined by an exact appreciation of Weill's multifarious musical-dramatic skills and single-minded purpose.

In this 1946 "Broadway opera" the blending of his

European and American styles achieves something entirely *sui generis* (not the less so for having *Porgy and Bess* in its direct line of ancestry). Rich in incident, with a knockout "specialty number" in each act, the piece is actually a tightly unified examination of life at the raw end of the modern city. "Why do we go on living in this sewer?" the question framed by Sam Kaplan, the opera's conscience - is its theme.

Street Scene is a work at once "serious" and "popular", for me it is one of the masterpieces of 20th-century opera. Certainly, ENO perform it as though

every member of the large ensemble subscribed with missionary enthusiasm to that belief. James Holmes, who conducted last year's revival, unfolds the tapestry with masterly tactfulness (which includes the knack of knowing where to relax his grip). Voices are occasionally covered (do I now detect amplification of the slightest singing voices, as well as of spoken dialogue?). In spite of this, every detail tells.

Most of the current cast also took on their roles last year: the superbly in-the-blood accounts of Frank Murrant (by Mark Richardson), Mrs Jones (Meriel Dickinson),

Harry Easter (Richard Hallion), Henry (Kee Watson), the song-and-dance duo (Philip Gould and Caroline O'Connor) - and too many others to list - deserve a column of close-focused praise all to themselves. So does the lean, quicksilver Sam of Kevin Anderson (whose quietly reflective "Lonely House" is a high point, in all her London appearances, Lesley Garrett has done nothing better than this warm, candid, gutsy Rose Murrant.

But I cannot end without celebrating the new Mrs Murrant, Josephine Barstow. She has already recorded the part (for Decca); now she adds it to

her long list of ENO glories. Anna Murrant is the opera's tragic victim; each of the company's previous incumbents - Kristine Ciesinski, Phyllis Cannan, Janice Cairns - brought something intense, illuminating, heartfelt to the part, and only a fool would want to claim latest as best. But Barstow's tremors and frailty, her brief moments of brutal tenderness, her searing account of the Act 1 aria are the quintessence of her singer-actor's art.

Sponsored by Woolwich Building Society; in repertory at the London Coliseum until September 28.

Edinburgh / Alastair Macaulay
Sex, death on the fringe

SEX AND death were already to the fore in the Traverse presented during this Edinburgh Festival. They are more so in the five plays that have now joined the Traverse repertory. In Brad Fraser's *The Ugly Man*, they are conjoined. Fraser is the Canadian author of *Unidentified Human Remains and the True Nature of Love* (an award-winning recently seen at the Hampstead theatre); *The Ugly Man*, which is shown here by the Canadian troupe One Yellow Rabbit, is his modern-day version of *The Changingtun*, re-set on a farm in the mid-west.

And camped up. The original *Changingtun* point about the heroine's gathering hunger for depravity is underlined here with schematic clarity - but Fraser has added a gay subtext, and he has sex scenes on stage. Whereas *The Changingtun* is straight melodrama, *The Ugly Man* plays melodrama for laughs - slightly creepy laughs, which could work brilliantly, but needs playing more pithily than most of the Yellow Rabbit performance give it.

Blue Night in the Heart of the West, by James Stock, first shown in London in 1991, tells a weird story about a Scot's journey to Nevada and the crazed web of incest and morbidity that trap him there. Well, maybe it was high time to put the Henry James scenario (American innocents caught in decadent Europe) into reverse. And it is a hoot,

after the urgent but wordless open-air scene of sexual intercourse that began the play, to hear the man (his trousers still down) address the woman as "Mom". But I could see this psychosexual horror story, its jokes, its horrors, its psychological revelations all seemed incidental, and I never knew where the play's core lay.

Crossfire (1989), by Michael Azuma and translated from his French by Nigel Gearing, is presented by Paines Plough. It is all about death, and in particular the innocent victims of political killings (war etc), seen just before and after the moment of their demise. Anna Furse directed. I found that the play consisted of either seemingly natural dialogue paced with zero spontaneity or utterly unspontaneous dialogue delivered with creepily natural pacing; and, after an hour of story boredom, I used another Fringe event as my genuine excuse to leave.

Call Me Susan, by Jean Findlay, is all about prostitutes, and manages to be exceptionally dull, pretentious and phony for all its 70 minutes. Mainly it involves two high-class prostitutes talking about the trade in bored, suburban dialogues. In between these droning conversations (badly spoken by Kate Beswick and Findlay herself), you hear the taped voices of real-life European prostitutes. You cannot believe how dead this fascinating subject becomes; but

take my word for it. Enough of sex, enough of death. *Bloodstream*, by Andrew Buckland and presented by Mouthpiece and the Market Theatre Company (South Africa), has neither. Though I began by finding it trite and unoriginal, it gradually had me happily hooked. It is a cartoon piece of green agitprop about the man who is about to cut down the last tree on earth; it is also a journey-through-the-body adventure comedy, told largely in mime, about two rebel bloodcells' quest to reach (and change) the woodcutter's mind.

No, nothing about this is especially novel or profoundly adult. Andrew Buckland and Lionel Newton are, however, performers of such zest, impishness, virtuosity and commitment that they become irresistible. Theirs is a Moving Picture Mime Show style, full of "karpisplot" sound effects as they swim through, or impersonate parts of, the human physique; but they also have lively, neatly satiric, text, loaded with a relentless supply of puns (the body politic, cardiac arrest).

Bloodstream is agitprop as cartoon fun: a surprising and welcome combination amid an otherwise lurid and morbid scene.

The Ugly Man, *Blue Night in the Heart of the West*, *Crossfire*, *Call Me Susan*, and *Bloodstream* all continue at the Traverse until September 4.

Bill T. Jones dance

SUPERFICIALLY, the American dance-choreographer Bill T. Jones has plenty going for him. He has striking stage presence; great good looks; he can present a programme of five works in largely different moods; his company includes dancers black and white, slim and obese; his choice of music includes classical, jazz, minimalist; his dance vocabulary, includes chunks of ballet, medieval and various modern styles; he has women partnering men; and men partnering men too.

But Jones's work does not show you the catholic, liberal, inclusive world view that the above would suggest. For all his magpie mix of dance material, dance is not the point of his choreography. From the time of Jones's first London appearance (1981), right through to this last weekend in Edinburgh, it has been clear that his work is all about attitudinising. OK, some of the attitudes that Jones & Co strike could not be more politically correct - pro-gay, anti-racist, etc. But they are designed simply to win applause.

By "attitudinising", I mean that Jones is, literally and metaphorically, a poser. See, for example, his own big solo, *Last Night on Earth* - where (dressed in only his underpants, the better to show you his famously gorgeous physique) he delivers signs and poses in monotonously bush-bash patterns and then explains to you what he thinks the signs and poses mean.

Though Bill T. has severe limitations as a dancer, he gives himself such guarded exposure that you may well not notice that his phrasing is



Repugnant: Bill T. Jones dance company

Lola Greenfield

monotonously harsh, that he lacks the strength to sustain a shape in the air while jumping, that he cannot support leg extensions from the centre of his body. In his fellow-dancers, however, these and other failings are grossly apparent. He gives them whole woggles of rigorous Cunningham technique (in *Fete*), and delicate, fiddly, balletic petits battements (in *D-Man in the Waters*), and anyone can see that rigour and delicacy are what they lack - that these dancers cannot do these steps with any true precision.

The point, I guess, is that Jones wants his troupe to look lovably fallible. Hey, if we want to do Cunningham technique or petits battements, if our fattest obese dancer wants to try jumping in grand jeté, then why not go ahead? This would be less creepy if Jones dared to present himself that way too. Yet his co-dancers

enjoy falling. In *D-Man in the Waters*, which is set to Max Delosohn's wonderful octet, they get so out of hand that they talk, laugh and finally yell at each other over the music.

Nor have I ever seen an American dance company (not even Lar Lubovitch's troupe) employ so much facial mugging. You can make weak dancers still dance seriously if you give them real phrasing, but Jones prefers to have them pull facial expressions at the audience, cueing us how to react.

Need I go on with this catalogue? I have loathed everything I have ever seen Jones & Co. do.

La danse, c'est une question morale, said Balanchine; and I find Bill T. Jones & Co. morally repugnant.

A. M.

INTERNATIONAL
ARTS
GUIDE

BONN

Oper Tonight, tomorrow, Fri, Sat: Vienna Festival production of new Lyubimov/Schnittke music-theatre work entitled *Homage to Zhivago*. Sun: Valery Panov's production of Prokofiev's ballet *Romeo and Juliet* (0228-773687).
Beethoven-Haus: Belgian pianist André de Groote continues his Beethoven sonata cycle with recitals on Sep 7, 14, 21 and 28 (0228-773688).

COLOGNE

Philharmonie Tonight: Beethoven chamber music programme. Fri: Kurt Masur conducts Leipzig Gewandhaus Orchestra in Schubert's Eighth Symphony and Bruckner's Fourth. Sat: Gidon Kremer and friends. Sun morning: Mon and Tues evening: James Conlon conducts Gürzenich Orchestra in works by Mendelssohn and Mahler, with piano soloist Rudolf Firsirotu. Next Wed: Simon Rattle conducts CBSO (0221-2801).
Halle Kalk: This newly-completed

subsidiary stage of the Schauspielhaus, located at Neuerburgstrasse, will be inaugurated on Sat with a revival of Günter Krämer's production of *The Threepenny Opera*. Performances continue on most evenings till the end of the month (0221-221 8400).

COPENHAGEN

● Revivals of Carmen, Die Zauberflöte, Ariadne auf Naxos and Heise's historical opera *Drot og Marsk* dominate the opening weeks of the Royal Danish Opera's 1993-4 season, the first with Elaine Padmore as artistic director. The first new production is Peter Grimes, opening on Oct 23. The Royal Danish Ballet performs the Neumeier production of *Romeo and Juliet* on Sep 9, 14, 17 and 20, Napoli on Sep 10 and a mixed bill on Sep 23, 24 and 27 (tel 3314 1002 fax 3312 3692).

● The summer season at Tivoli Gardens continues with a week of performances by New York City Ballet (Sep 7-12), a semi-staged performance of Nielsen's opera *Maskarade* (Sep 15) and a recital by Katia Ricciarelli (Sep 18). Ole Schmidt conducts the closing orchestral concert on Sep 19 (3315 1012).

FRANKFURT

Frankfurt's music festival opens on Fri with the first of two concerts by St Petersburg Philharmonic Orchestra conducted by Yuri Temirkanov. On Sun morning and Mon evening, Sylvain Cambreling conducts Frankfurt Opera Orchestra

in works by Berg, Mozart and Haydn, with piano soloist Rudolf Buchbinder. On Sun evening, Ensemble Modern plays a 70th birthday tribute to György Ligeti. Mon and Tues (Mozart Sat), Martin Haselböck directs a Viennese historical instrument ensemble in Bach and Haydn. The festival continues till Oct 10 (069-1340 400).
Speculum Musicae, a historical instrument ensemble, gives a concert on Sat in Katsendort St Bartholomäus (069-290787).

GOTHENBURG

Konserthuset Tomorrow and Fri: Neeme Järvi conducts Gothenburg Symphony Orchestra in works by Smetana and Svanholm (031-167000).
Stora Teatern Tomorrow: John Copley's production of *L'elisir d'amore*, sung in Swedish. Sat and next Tues: Offenbach's *Orpheus in the Underworld*. Sun: Petri Sakari conducts orchestral works by Mozart, Sibelius and Alfvén. Sep 24: premiere of new ballet by Robert North (031-131300).

HAMBURG

Musiktheater Tonight: Gard Albrecht conducts Czech Philharmonic Orchestra in works by Gidon Klein, Dvorak and Brahms, with violin soloist Uto Ughi. Tonight (Kleiner Saal): Tokyo String Quartet.
Tomorrow: Horst Neumann conducts North German Radio Symphony Orchestra and Chorus in a programme devoted to the Egyptian-Greek composer Jani Christou (1928-1970). Sat, next Tues and Fri: Ulf Schirmer conducts

concert performance of Gounod's *Romeo et Juliette*, with Ruth Ann Swenson and Francisco Ariza. Sun morning, Mon evening: Kurt Nagano conducts Hamburg State Philharmonic Orchestra in Schoenberg, Jani Christou and Brahms. Sun evening: Yuri Temirkanov conducts St Petersburg Philharmonic Orchestra in Brahms and Stravinsky, with violin soloist Viktor Tretjakov. Next Wed: Lorin Maazel conducts Brahms (040-354414).

HELSINKI

Grigori Sokolov gives a piano recital tonight at the Sibelius Academy. Tomorrow, Marek Janowski conducts Finnish Radio Symphony Orchestra in Finlandia Hall, in a programme including Beethoven's *Eroica* Symphony and the Four Sea Interludes from Britten's *Peter Grimes*. Fri and Sat: Esa-Pekka Salonen conducts Swedish Radio Symphony Orchestra in works by Bartok, Lutoslawski, Lindgren, Haydn and Beethoven. Sun: Miguel Gomez-Martinez conducts Finnish National Opera Orchestra in Turina, Britten and Sibelius, with piano soloist Ralf Gothofon. Mon: Lahti Symphony Orchestra plays works by Finnish composers. Tues: Leonid Kavakos violin recital. There are also performances by Ingun Björnsdóttir Dance Company tomorrow and Fri in Savoy Theatre. The festival ends on Sep 12 (0-664468).

LEIPZIG

Gewandhaus Sat: Daniel Nazareth

conducts MDR Symphony Orchestra and Chorus in works by Schubert, Schumann and Mahler. Sun: Dresden Staatskapelle chamber music evening. Sep 8: Kurt Masur opens the 1993-4 Gewandhaus Orchestra season. Sep 15: Sviatoslav Richter (0341-7132 280).

MUNICH

● The opening concert of the Munich Philharmonic's 1993-4 season takes place on Sep 9 at Gasteig, with a programme conducted by Sergiu Celibidache, featuring Daniel Barenboim as soloist in Beethoven's Fifth Piano Concerto. Celibidache also conducts Bruckner's Eighth Symphony on Sep 10, 12 and 13 (089-4809 8614).

● The new season at the Staatsoper, the first to be organised by Peter Jones, opens on Sep 18 with Gidon Kremer's production of *La traviata*, starring Julia Varady (089-221316).

STOCKHOLM

Drottningholm This year's festival ends with a song recital by Edita Gruberova on Fri and a performance on Sat of Figaro, Ivo Cramér's ballet-pantomime after Beaumarchais (08-680 8225).
Royal Opera Repertory over the coming week consists of Suppé's opera *Boccaccio and Così fan tutte*. The first new production of the season is *Elektra*, opening on Sep 11 (tickets 08-248240).
Information 08-203515.
Konserthuset The Royal Stockholm Philharmonic Orchestra's new season begins on Sep 8 and 9 with a programme conducted by Gernadi

Rozhdestvensky, featuring works by Nielsen, Rakhmaninov and Scriabin (tickets 08-102110).
Information 08-212520).

STUTTGART

● The final month of this year's Ludwigsburg Festival features Gidon Kremer (Fri), the Stuttgart Ballet (Sep 10-15), song recitals by Edita Gruberova and Renato Bruson (Sep 19, 20), symphony concerts conducted by John Eliot Gardiner and Roger Norrington (Sep 21, 23) and a concert performance on Sep 26 of Verdi's *Giovanna d'Arco* (07141-949610).

● A two-week music festival organised by the International Bach Academy opens on Fri at the Liederhalle with a performance of Monteverdi's *Vespers* conducted by Helmuth Rilling. Andrew Parrott conducts the Taverner Consort in Bach's B minor Mass on Sat, and Krzysztof Penderecki conducts Beethoven's *Missa Solemnis* on Sun. Other highlights include two concerts by the Gothenburg Symphony Orchestra under Neeme Järvi (Sep 11 and 12) and recitals by Alfred Brendel (Sep 15) and Tatiana Nikolayeva (Sep 17). Filling conducts the closing choral concert on Sep 19 (0711-295551).

● The opera season at the Staatstheater opens on Sep 12 with *Parafal* (repeated Sep 15, 19, Oct 2 and 5). The first new production is the world premiere on Oct 3 of Hans Zender's new opera, *Don Quijote de la Mancha* (0711-221795).

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Monday Super Channel: West of Moscow 1230.
Super Channel: Financial Times Reports 0630
Wednesday Super Channel: Financial Times Reports 2130
Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer



Reports of the death of the European exchange rate mechanism are exaggerated, but not greatly. Reports of the death of the Maastricht Treaty on European Union are, to say the least, premature. Reports that the European idea has run its course and can now be consigned to the dustbin of history are pure fantasy, whether the fantasy of morbid continental Spenglerians or that of euphoric "Anglo-Saxon" Cobdenites.

There are two overwhelming reasons why the drive for greater European integration will continue: security and the single market.

Take the latter first, since it is supposed to be less controversial, although I believe it is the more troublesome of the two. Most anti-Maastricht Eurosceptics say they are in favour of the single market. They fail to realise that the single market is responsible for nearly all the things ordinary people dislike, or think they dislike, about the EC.

Everyone has a favourite horror story about the manic desire of "Brussels bureaucrats" to regulate everything, from the colour of flamingoes to the size of honeypots. Often these stories are accompanied by bitter complaints about the effect of the EC in dismantling national regulations and exposing the citizen to bigger lorries or lower standards of consumer protection.

Similarly, most businessmen have one list of complaints about the unfair competition to which the EC exposes them in their domestic market from rivals that are subject to less stringent national regulation, and another about the grotesque national regulations or business practices that still prevent them from exporting to, or investing in, the market of another EC member state.

The single market only became remotely feasible when it was agreed, in the mid-1980s, to adopt the principle of mutual recognition of national regulations in preference to complete harmonisation. But hundreds of EC directives were still needed to make it a reality, because so many national regulations were seen in other member states either as inadequate protection for consumers or as non-tariff barriers to

There's life in it yet

European union will go forward, but it needs a route map

trade and investment.

There is no elegant, global solution to this problem. "Subsidiarity", meaning that what ever can be should be left to national or local regulation, is a good principle, but you still have to agree on how it applies in each particular case. Most of the pressure to harmonise does not come from "Brussels bureaucrats", but from consumer and producer lobbies in member states. It will continue.

Even the quest for a single currency arises partly from a desire to eliminate uncertainty and transaction costs which fragment the market, and partly from fear that the

Most pressure to harmonise comes from consumer and producer lobbies

single market leaves producers defenceless against competing products priced in a national currency which may depreciate against their own.

Recent events have shown that the attempt to maintain fixed parities between separate currencies also imposes intolerable strains, but that will only increase many people's eagerness to move to an arrangement where monetary policy for the whole market is decided by consensus, rather than unilaterally by the country with the strongest currency.

Security is a simpler matter, because the idea that states need to band together in a league or confederacy for the common defence of their separate national sovereignties, sacrificing a degree of autonomy for the sake of preserving the rest, is familiar

and well understood.

If the EC's contribution to security has up to now been indirect rather than direct, that is because its members looked to the Atlantic alliance for their common defence. This was sensible so long as the main perceived threat was the expansionism of a neighbouring superpower, which western Europe and the other superpower had a common interest in resisting. Europe probably could not have defended itself without US help, and the US had no intention of leaving Europe to its fate.

Things are different now. The US retains an interest in European security, but is struggling to redefine that interest in a new strategic context. The dangers Europe faces are much more diffuse than in the past. Most of them - the main exception being nuclear proliferation - are far less directly or obviously threatening to US interests than was Soviet communism. Although Europe's capacity to handle them on its own is in doubt, the doubt relates to political will and strategic vision rather than material resources, and in these areas it is not obvious that the US can make up for Europe's deficiencies.

Security is not only a matter of armies and weapons, essential though those still are. As well as managing, and preferably preventing, conflicts on or near its borders, the European union (as the EC will become once Germany has ratified the treaty) faces the need to police those borders against illegal immigration and transnational crime, and to ensure order and security within them.

Already these issues are the subject of intense intergovernmental co-operation, which Title VI of the treaty (on justice and home affairs) will further institutionalise. They are issues about which ordinary people throughout Europe care passionately. True, they still tend to see them mainly in a national framework, but even such a fierce nationalist as the French interior minister, Mr Charles Pasqua (a leading figure in last year's anti-Maastricht campaign), admitted recently that many aspects of them could no longer be handled by any EC member state on its own.

Europe will go forward. But it badly needs a new route map. Next week I shall try to sketch in a few landmarks for the years ahead.

Should a female finance clerk be paid the same as a male van driver? The question raises complex and sensitive issues.

Last week the issues entered the limelight when the Equal Opportunities Commission said the UK government was failing to implement European Community law on equal pay.

After 13 years of argument with the government, the commission's governing board said it would refer the matter to the European Commission in Brussels for clarification.

"We are charged by parliament to enforce the pay equality laws but that law is not working as it was supposed to do. It is our responsibility to see that it does," says Ms Kamlesh Bahl, the commission's part-time chairman.

Set up in 1975 to promote equality of opportunity between women and men, the commission has often been called ineffective.

By taking this unprecedented public step over equal pay last week, the commission surprised the government. Department of Employment officials had already scheduled a meeting with the commission for October 4 to discuss the legal changes Mr David Hunt, the employment secretary, might be willing to make.

Ms Bahl welcomed the department's initiative, but sees no reason to abandon the action for clarification of the law from the European Commission. "Issues of substance will still remain that must be resolved," she argues.

But ministers believe the commission is too impatient over what is a complex area. They deny Britain is dragging its feet over implementing equal pay legislation.

The Department of Employment says its legal advisers are confident the UK is not in breach of its EC equal pay obligations. It believes the referral of the issue to Brussels will not help resolve genuine difficulties over implementing the UK's equal pay laws.

Ministers' complaints that the commission should put the equal pay issue into a wider perspective are echoed in the private sector. "British women have made larger advances at work than those from any other EC country in the 1980s," says Mr Graham Mather, head of European Policy Forum, the independent think-tank.

The UK's flexible, deregulated labour market has helped create the biggest female job market in Europe, the government argues; women in the UK are also less likely to be unem-

Robert Taylor on efforts to ensure UK men and women receive the same pay for the same work

Not a penny more, not a penny less

ployed than men in a recession.

In a recent paper to EC president Jacques Delors, the government said: "The Community must avoid imposing labour market regulations that increase costs, lock member states and employers unnecessarily into existing rigidities or make it harder to create new jobs."

By approaching Brussels, however, the commission has decided not to rely on the government's willingness to negotiate, but to apply pressure by highlighting the UK's legal commitment to equal pay as enshrined in the Treaty of Rome, the EC's constitution. All 12 EC member states are bound to introduce equal pay under article 119 of the treaty.

The equal pay concept was widened by an EC directive in 1975. No longer was the aim to ensure men and women received the same pay for doing the same or similar jobs; there was also to be equal pay for work of equal value.

It is this requirement which prompts British government concern. Officials claim the EC has failed to define clearly what this means in practice.

The Equal Opportunities Commission shares some of the government's frustration. But it is also exasperated at the lack of progress towards equal pay. It points out that women in all sectors in the UK earn on average 71 per cent of a man's weekly pay. In British manufacturing, the figure falls to 59 per cent of the weekly pay of male non-manual workers.

There has been no significant narrowing of the gap since the early 1970s. The Department of Employment earnings survey for 1992 shows women's average earnings were £341.10 a week against £340.10 for men.

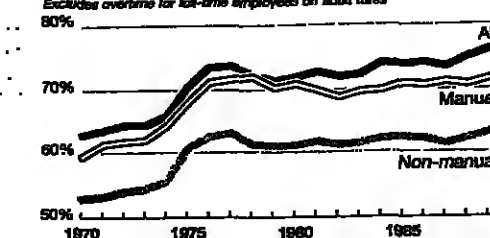
The commission believes legal complexities are hampering moves to close the pay gap, adding that complaints procedures for cases of "equal value", made through industrial tribunals, are tortuous.

Equal value claims take on average 32 months, and a number have taken more than



Women's earnings as % of men's (weekly earnings)

Includes overtime for full-time employees on adult rates



Average weekly earnings before tax of full-time employees on adult rates 1992

(£)

	WOMEN	MEN
Cleaners and domestics	181.00	189.40
Sales assistants	149.00	150.20
Laundresses, dry cleaners and pressers	141.40	174.00
Kitchen porters and bar staff	134.80	187.00
Bar staff	129.70	172.60
Waitresses and waiters	138.50	189.00

Source: New Earnings Survey 1992 Department of Employment

seven years. Only 23 claims in equal value cases have succeeded in nearly 10 years.

In addition, the wording of the law is imprecise, argues the commission. This puts off potential claimants. According to UK law, a job must be of equal value "in terms of the demands made on the woman or man (measured by effort, skill and level of responsibility) to that of a man or woman in the same employment".

At present the commission is funding an equal value case brought by a senior grade speech therapist, who is trying to compare her job with that of a senior grade pharmacist.

A further concern for the commission is that an equal pay award made to one person cannot be extended to cover others doing the same jobs.

The commission wants several changes to existing equal pay laws. It is calling for:

- The automatic transfer of cases from industrial tribunals to the Employment Appeals Tribunal.
- The abolition of a tribunal's legal requirement to decide whether a person has "reasonable grounds" to pursue an equal value claim.
- The creation of full-time assessors of equal value, and a strict timetable for claims processing.
- An end to the use of job evaluation studies by employers to stop an equal value claim.
- The extension of equal pay awards beyond the individual claimant so that all employees in the same employment, who do the same or broadly similar

work, would be entitled to the same award.

● The right for trade unions and the commission to challenge alleged discriminatory aspects of collective agreements.

● The right for the commission to initiate its own legal proceedings against employers.

Mr Hunt told the commission last month that he was willing to make changes to speed up procedures in equal value cases, including:

● Agreeing to abolish the requirement that a tribunal should determine whether there are no reasonable grounds for claim.

● Accepting that an employer can only offer one justification of pay differences between male and female workers.

● Requiring independent experts to decide, within a 14-day time limit, whether they will conduct an investigation.

Ministers balk, however, at moves to extend the applicability of equal pay or equal value awards beyond individual workers to others in a company. Nor will they accept that the commission or trade unions should act on behalf of a group of workers to bring equal pay cases to court.

Mr Hunt has reminded the commission that the government needs to avoid undue burdens on employers, which could threaten jobs.

The commission feels only Brussels can bring reform. But its hopes may be dashed. A recent confidential European Commission report complains of difficulties in enforcing a commitment to equal pay across the EC. It admits that "little effective progress" has been made on the issue anywhere in the EC, and suggests there remains "a widespread lack of knowledge of the legal provisions and practical ways" of dealing with equal pay among governments, unions and employer bodies. As many as six EC countries - including Italy, Spain and Belgium - have not even bothered to define equal value in their legislation.

"Much remains to be done not only to ensure effective implementation of existing community law but also to clarify complex concepts," the EC report notes. As Europe grapples with the worst unemployment crisis in 60 years, the Equal Opportunities Commission may find Brussels unwilling to strengthen legislation that could impair job creation.

If it has to wait years for an answer and then comes back empty-handed, the cause it is fighting for may be harmed.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No U-turn on nuclear fuel storage

From Dr Patrick Green.

Sir, John Guinness, chairman of British Nuclear Fuels (BNFL), is incorrect to claim (Letters, August 21) that Friends of the Earth has made a "staggering U-turn" by suggesting that BNFL should offer to store its customers' used nuclear fuel, either at Sellafield or abroad, instead of reprocessing it in Thorp. We made this proposal at the 1977 Windscale Inquiry and have consistently advocated it ever since.

Contrary to BNFL's unsubstantiated claims, storage is a safer and viable alternative to reprocessing. Indeed, Scottish Nuclear will save around \$45m a year by storing its spent fuel in a purpose-built store at its Torness reactor instead of sending it to Thorp for reprocessing.

If the economic case for Thorp is as "robust" as Mr Guinness claims, BNFL should have nothing to fear from independent scrutiny of its arguments. BNFL's continued refusal to publish the Trenchard-Ross economic assessment of Thorp only serves to demonstrate that BNFL fears the flawed logic of reprocessing will be exposed by its publication. Consequently, BNFL is in no position to argue that there is no alternative to opening Thorp.

Patrick Green, nuclear campaigner, Friends of the Earth, 26-28 Underwood Street, London N1 1JQ

Price rises not only BR option

From Mr John E. Welby.

Sir, Lex, prompted apparently by reports of decisions still to be taken, is ungenerous in accusing BR's management of seeing higher prices as the only way to increase net revenues ("British Rail", August 24).

All three passenger businesses have continuing promotional programmes to boost passenger numbers, especially off-peak. When a coach operator complains to the Office of

Fair Trading (unsuccessfully) to hasten to add that InterCity is offering fares that are too cheap, it is apparent that British Rail managers are not lacking in the competitive imagination you are looking for.

Similarly, when hundreds of thousands of new customers are introduced to rail travel through joint promotions with Boots and Shell, BR is clearly expanding and developing its customer base.

For the railways, like any

major business, pricing is only one element of financial management and is considered in conjunction with cost-control measures and marketing initiatives as well as the need - particularly important in the public sector - to meet stringent annual cash limits.

John E. Welby, chief executive, railways, British Railways Board, Euston House, Eversholt Street, London NW1 1DZ

Theft in a shop is no less a crime

From Mr Barry Hyman.

Sir, Your recent photograph of a Covent Garden scene referring to 100 arrests being made as a result of a paging initiative continues to talk about "shoplifters" ("Arrests in Covent Garden increase as a result of initiative with Mercury Paging", August 24).

The success which the police and the retailers are enjoying in combating shop crime is not

helped if the euphemism "shoplifter" continues to be used. We are not talking about a naughty schoolboy nicking a packet of sweets for a lark, although that itself often leads to worse crime and a belief that it is fair game.

What is under discussion is wholesale and often violent theft by groups of people stealing to order and costing the honest customer money in the

long run. Someone who steals from a bank is not called a banklifter, he is called a thief or worse.

What we are combating is professional shop theft and we should all start saying so.

Barry Hyman, corporate affairs, Marks and Spencer, Michael House, Baker Street, London W1A 1DN

Deserving winner in LWT share scheme

From Mr Paul Neuburg.

Sir, In your article on the beneficiaries of the LWT share scheme, Anwar Bati is quoted describing Barry Cox as "a very nice guy, was an ordinary programme maker. Now he's worth £1.5m". At the time of Bati's brief spell at LWT as researcher in features, Cox was controller of current affairs and features, known throughout not just LWT but the

industry. He had been originating editor of The London Programme, still going after nearly two decades and, as a quality local series, a prime earner of brownie points for franchise renewal.

Cox invented a range of other programmes, including The Six O'Clock Show, a pioneer among "infotainment" ventures which gave Greg Dyke his first chance to shine

as editor. As controller of corporate affairs, Cox had a key role in formulating and implementing the strategy that won the new franchise on which the current share price is based. In LWT's game of chance, Barry Cox is one of the deserving winners.

Paul Neuburg, Pulse Productions, 41 Crediton Hill, London NW6 1HS

Little evidence of government success with Citizen's Charter

From Mr John N. Ellis.

Sir, We welcomed the more objectively based assessment of the picture of public services painted by David Owen than that released by the government's own Citizen's Charter Unit. Your report on the findings of the ICM Research Survey was honestly headed "Public services rapped: Citizen's Charter appears to be bringing little improvement" (August 26) - while the Citizen's Charter Unit's press release was headed "Survey shows widespread support for Citizen's Charter".

It may be true that there is

widespread support for the charter - and why shouldn't there be? There is little evidence, however, that the government's policies for achieving these objectives are having any success or that they carry the wide support that the Citizen's Charter Unit claims.

The survey shows, as your report made clear, that of 31 organisations about which 3,000 people were questioned only eight were considered to have improved during the last year. Among those was the Post Office, with a 92 per cent rating for overall performance.

The only policy for achieving

the promised improvements of the Citizen's Charter that received strong support was more regular inspection of providers of services. Trade unions are always accused of vested interests, yet we were never listened to when we pressed for improvements in the delivery of services long before the Citizen's Charter was launched and we are not listened to now.

More and more people are beginning to say that the government's blind policy of privatising everything it can is wrong-headed. There is a grow-

ing belief that the policy is simply dogma and that cost and damage do not matter.

Maybe if the government would stop the nonsense of market testing the entire civil service at enormous cost, and abandon the stupidity of privatising British Rail and the Post Office, its claimed objectives would be treated more seriously. At the moment it is pushing an ever growing boulder.

John N. Ellis, secretary, Council of Civil Service Unions, 58 Rochester Row, London SW1P 1JU

REPUBLIC OF LEBANON
MINISTRY OF NATIONAL EDUCATION & YOUTH & SPORTS
COUNCIL FOR DEVELOPMENT AND RECONSTRUCTIONBEIRUT SPORT CITY
PRE-QUALIFICATION OF CONTRACTORS

The Government of Lebanon, represented by the Ministry of National Education & Youth & Sports and the Council for Development and Reconstruction (CDR), invites applications from suitably qualified building and civil engineering contractors to pre-qualify to tender for the Rehabilitation and Construction of Beirut Sport City.

The Project will be financed by grants from Arab Countries. It will comprise the construction of the following main elements:

- A new olympic stadium for 50,000 seated spectators and its auxiliary services with an approximate built area of 60,000m² and about 27,000m² built-area of stands.
- A new swimming olympic center comprising:
 - an open swimming pool for 2000 spectators
 - an open diving pool for 1000 spectators
 - a covered swimming pool for training. All the above cover an area of around 13,500 m².
- An administrative building with an approximate built-up area of 2000 m².
- An open tennis center comprising:
 - a central court for 4000 spectators and their auxiliary services
 - three other open tennis courts.
 All the above cover an area of around 10,000 m².
- The rehabilitation of an existing indoor sports facility for 4000 spectators with an approximate area of 7000 m².
- A turf club with an approximate area of 10,000 m².
- A hotel of 120 bedrooms.
- The landscaping of the site (= 23 ha) consisting of the necessary network and infrastructure (roads, parking areas, piazza, green area, etc...)

The construction period is programmed for 24 months.

The tender period will be from 2nd of January to 28th of February 1994.

Pre-qualification applications must be on the basis of the pre-qualification document prepared by the Council for Development and Reconstruction, which will be available at the CDR offices against the sum of U.S.\$ Three Thousand (3000 \$) effective September 1, 1993 at the following address:

Council for Development and Reconstruction
Tallet El-Seraïl
Beirut - Lebanon.

Deadline for returning the duly completed pre-qualification document with all relevant supporting material is 12:00 noon (Beirut Local Time) on Friday 15/10/93.

FINANCIAL TIMES

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Wednesday September 1 1993

Next steps in the Mideast

THE POLITICAL landscape of the Middle East has taken on a slightly surreal aspect this week. If both sides are to be believed, Israel and the Palestinians may be on the point of signing an agreement that will provide an interim framework for Palestinian self-rule in the Israeli-occupied West Bank and Gaza Strip. As remarkably, Israel may agree to withdraw its troops from an area of the West Bank around Jericho and from Gaza as a first step towards military disengagement.

To cap it all, Mr Yitzhak Rabin's coalition government may break a taboo of decades by recognising the PLO; allowing Palestinian leaders to set themselves up in Jericho; and even offering protection for top PLO personalities as they seek to sell the deal to sceptical or hostile constituents. It would scarcely come as a surprise after all that to read of lions whelping in Jerusalem's streets.

Can this be the same Mr Rabin as had disappointed so many expectations since he was elected last year with a promise to reach a rapid Middle East peace agreement? Is this the same PLO that vowed in its founding charter to wage "armed struggle" until Israel was destroyed, and that has proved singularly incapable of seizing opportunities for progress towards an accommodation with the Jewish state?

Wary precedent suggests caution is in order. Much could still go wrong as the Washington peace negotiations enter their 11th round. Many details of the purported Israeli-Palestinian accord remain unclear or contested; other participants such as Jordan and Syria are rattled by a deal struck behind their backs; and the Palestinian movement is even more fractious than usual - divided between the occupied territories and the diaspora, and stalked by the threat of an assassin's bullet. Nevertheless, the claims of breakthrough are sufficiently insistent for the outside world, and in particular the US, to embark now on a concerted effort to ensure that it occurs.

Great credit

It is to the great credit of Mr Rabin's government and of Mr Yasser Arafat, the PLO chairman, that the two sides have got this far largely on their own. Doing so

required the super-cautious Mr Rabin to manoeuvre delicately: gradually acclimatising Israelis to the idea of talking to their sworn enemy while at the same time guarding his flank against charges of jeopardising Israeli security. For Mr Arafat, negotiating from extreme weakness, the risks are if anything even greater. But he has shown commendable single-mindedness in carrying most of his rebellious cohorts along towards an agreement that will fully benefit only some of them.

Cherished principles

The problem is that Israel and the PLO may not be capable of arriving at their destination unaided. The distrust between them and among Arab leaders remains too great. Moreover, Mr Arafat's legitimacy among his own people is not undisputed: many Palestinians suspect him of throwing overboard cherished principles - such as the status of Jerusalem - to strike a deal while he can.

To still such fears, the US should now decisively raise the profile of its involvement and judge the parties further towards clarifying their intentions. Both Israel and the Palestinians should state clearly that this agreement is an interim one without prejudice to a final settlement in any respect, including Jerusalem. Jordan and Syria should be offered high-level American reassurances that the Israeli-Palestinian deal is part of the multilateral process, not designed to cut them out.

Most important, the structure of the Middle East negotiations - which currently institutionalises Palestinian divisions by directly involving only hand-picked representatives from the occupied territories - urgently needs to be changed. Israel should go the extra mile and sit openly with the PLO without insisting that it go through the difficult and tortuous process of amending a charter that Mr Arafat has already declared null and void. If Mr Rabin is worried that such a step would imply eventual Israeli acceptance in principle of an independent Palestinian state, so be it. Some form of Palestinian sovereignty is the only basis on which a final settlement can be reached, and it would be better to admit as much now.

Green thoughts and trade policy

IT IS unlikely that the people who share this planet will ever agree about which parts of the environment they want to preserve. The question is how countries should go about settling disputes that arise from their differing environmental standards.

Countries accuse others of causing them environmental harm in many different ways. Most directly, pollution may spill across national borders. Manufacturers in developed countries may also claim that laxer regulation in developing countries allows companies located there to enjoy lower production costs. Countries may also damage common environmental "goods" by polluting the world's atmosphere and oceans. Or there may be perceived harm, arising for example when one country's treatment of certain animals is judged offensive by another.

Such accusations have tended to be hurled by developed countries at developing ones. Too often, the complaints are accompanied by threats of trade restrictions. Some argue that the environmental damage is due to economic growth, and that trade is bad because it stimulates growth still further. Others claim that "ecological dumping" occurs when exporters are able to benefit from an environmentally permissive policy regime and call for protection in response. Some may simply seize on trade as the easiest available tool for enforcing their views. These arguments are often propounded by environmentalists, who have tended to see multilateral trade negotiations such as GATT and NAFTA as threats to environmental standards.

Comparative advantage

Trade policy is generally the wrong response. For a start, poverty is an important cause of environmental degradation, and trade can offer an escape from poverty. Growth and affluence also increase the political demand for a better environment. Furthermore, specialisation on the basis of comparative advantage reduces many forms of pollution. One reason for this is that industrial countries have a comparative advantage in some of the most polluting industries, which are usually capital intensive, but also possess the

best anti-pollution technology. Claims of unfair competition are easily abused by protectionist interests. What is more, it is dangerous to behave as if every policy difference between countries represents some kind of subsidy. At the limit all policy differences between countries would have to be eliminated.

Hypocrisy

Developing countries are also right to detect an element of hypocrisy in the demands of the richer ones that they clean up, since the latter gave scant regard to keeping the environment clean during their own industrialisation. Moreover, the largest output of greenhouse gases - arguably, the most important global threat - still comes from developed countries. That is not to say that pollution is an inescapable by-product of industrialisation - some forms of pollution can be avoided at little cost, examples being land and groundwater contamination. But, as a starting point, the choice of standards should lie with the individual country.

Rather than entangling trade with environment policy, rich countries should offer compensation when seeking to impose environmental policies poorer ones do not share. Rio, which secured international agreement on measures to avoid global warming and protect the diversity of animal and plant life, recognised this principle in giving its backing to the Global Environment Facility run jointly by the World Bank and the United Nations. The fund, set up in 1990, plans to make up to \$400 million available for funding projects in developing countries projects over the next three years. Similarly, the 1987 Montreal Protocol on protecting the ozone layer of the atmosphere is backed by a \$200m fund to help developing countries meet its terms.

That approach is controversial, with respect both to raising the money and disbursing it, as both these funds have shown. But at least it makes the price of the bargain explicit, and forces the people of developed countries to face up to the question of whether they really want to pay it.

Previous leading articles in this series appeared on July 21, August 2 and August 19.

As the head of a group famed for its marketing of fantasy, Mr Michael Eisner, chairman of Walt Disney, has little difficulty finding cheer where others see only gloom.

But even he seems taken aback by this summer's wave of media coverage about the financial problems of Euro Disney, the group's theme park which opened near Paris last year.

Most worrying for the group and its shareholders is that some observers have begun to ask the previously unthinkable: will Euro Disney have to close for the winter or, worse, might it have to close altogether?

Mr Eisner said yesterday that he might consider closing the park for a limited period during the winter under certain circumstances. He might agree to partial closure, he said, "if Euro Disney came to me and said it was economically advisable and wouldn't be negative for perception. Disneyland in California used to close on Mondays and Tuesdays before I became chairman."

Partial closure, however, is not his favoured option. "I don't believe the park should close for a single day," he says. "Euro Disney closed the Newport Bay Hotel for a while last winter and I think that sent the wrong signal."

When Euro Disney opened in April last year, accompanied by a two-hour live television broadcast to 30 countries and a \$10m TV advertising campaign, closure was the last thing on the company's mind. The fanfare invited intense scrutiny - so the company is in no position to complain about the detailed attention given to Europe's biggest leisure attraction.

But Mr Eisner is irritated by the focus on Euro Disney's problems rather than its potential. "Every little thing is written about Euro Disney is a great product and I've yet to meet anyone who doesn't love it. But down the road, discussion of the economic issues could affect public perception of the product. It hasn't happened yet, but if we don't turn it around, it might."

The economic issues warrant discussion. Euro Disney lost FF393m (\$59m) in its last financial year to September 30 and is on course for a further loss of more than FF1.8bn this year. Its net debt has risen from FF1.85bn to FF2.35bn since the start of the current financial year. Euro Disney is now in danger of running out of cash. Walt Disney has promised to provide financial support while the two companies try to restructure Euro Disney's finances.

In the meantime, Walt Disney faces heavy losses on its 49 per cent stake in Euro Disney. It lost \$30.9m on the holding in the third quarter of the current financial year alone

Mr Grumpy at the door

Alice Rawsthorn and Michael Skapinker ask whether Disney's European adventure will have a fairytale ending



Parisian rain and a wave of unfavourable media coverage may dampen Michael Eisner's hopes for Euro Disney

and would have lost \$48.8m under its old accounting rules. Mr Eisner does have some advantages, notably Wall Street's faith in Walt Disney as a whole. As it attempts to resolve its problems at Euro Disney, the group can rely on its strong track record in producing hit movies and its schedule of new films for 1994 and beyond.

Mr Christopher Dixon, an analyst at New York broker Paine Webber, believes Euro Disney will succeed as the economy improves in France and Europe. Meanwhile, Walt Disney's third-quarter results, to the end of June, saw a reasonably healthy 10 per cent increase in underlying earnings per share compared with 1992, although revenues from film entertainment dropped and the company has not had a box office hit in the US this summer.

Wall Street is expecting strong earnings momentum next year, when Disney will be greatly expanding its film production. However, the group's association with Euro Disney's heavily publicised problems risks damaging its gilded reputation with investors.

How did Disney, one of the

world's most successful leisure and entertainment groups, manage to get its European park so badly wrong? From the start, questions were asked about Disney's ability to repeat its US success in Europe.

The Paris climate was unsuitable, critics said, and visitors would not come during the winter. The cost of running a park in Europe was high,

entered its worst recession since the war. In its first year, Euro Disney fared reasonably well in terms of attendance, hitting its target of 11m visitors at the end of April, just over a fortnight later than expected. However, income from catering, merchandise and hotels was well below expectations.

In the spring and summer of this year, trading deteriorated still further. It was only this summer, Mr Eisner says, that the gravity of the situation became apparent. He says: "It didn't hit until May and June. We realised then that attendance was not up to last year's levels and that per capita expenditure was substantially down."

Added to the ravages of the recession was the strength of the French franc which had risen sharply against some European currencies following last September's exchange rate crisis. Attendance from countries with weaker currencies, notably the UK and Italy, fell sharply.

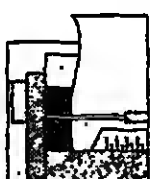
The cost of servicing Euro Disney's debt ballooned, partly because, until recently, French interest rates have been higher than initial budget forecasts. Euro

Disney and its US parent are now in the early stages of assembling a financial restructuring package. Here, too, Mr Eisner refuses to be specific. "All I can say is that we're examining every option," he says. He describes a possible rights issue as "one of a list of 10 very good ideas".

Mr Eisner hopes to finalise the restructuring plan over coming months and present it to shareholders by next March. "I wouldn't like to be talking about it this time next year," he says. "The sooner it is completed the better - not for financial reasons, but for public relations reasons."

Additional reporting by Martin Dickson in New York

An ill-advised way to manage trade



PERSONAL VIEW

In his recent book, *Reconcilable Differences*, United States-Japan Economic Conflict, and his article in the FT ("Good and bad of managed trade", August 13), C Fred Bergsten defends his case for voluntary import expansion agreements. He differentiates them from protectionism - namely voluntary export restraint agreements - and argues that expansion agreements are pro-trade and useful to improve access to the Japanese market.

I believe there are real risks in implementing voluntary import expansion agreements (VIEs). It is possible to introduce them only with the Japanese government's active meddling with the market. Vague words like "recognition", "acknowledgement" and "encouragement" used in existing VIEs are synonymous with an invitation to open-ended government intervention. It is very confusing that, on the one hand, the US government urges more market-oriented, pro-

consumer policies in Japan while, on the other, it calls for more market intervention through VIEs. If we want to let market forces work in consumers' best interests, intervention will be counter-productive. It will result in further control and market regulation.

Mr Bergsten argues that VIEs expand trade and enhance competition. But they are also anti-competitive. How can an agreement enhance competition if it prohibits at least 20 per cent of Japanese users from buying domestic chips?

Regarding Mr Bergsten's call to use VIEs only temporarily, it seems unlikely that once they are in place there will be any inclination to get rid of them. For example, after the initial five-year period, the Reagan administration's semiconductor VIE was extended for another five years. Is a 10-year period temporary? What makes Mr Bergsten confident they will not be used indefinitely with increased import targets? It is much more difficult to terminate VIEs than to initiate them, and no one has ever succeeded in doing so.

In spite of Mr Bergsten's second caution that VIEs be used sparingly, how can business executives resist them when their governments will do the job of developing a foreign market free of charge? The cost of forced imports is borne by the targeted country, and the other country loses nothing by demanding a VIE. Mr Bergsten suggests VIEs should be open to all countries

Voluntary import expansion agreements will result in further control and market regulation

and denounces the Bush VIE on car and car parts, which benefits only US companies and which, according to Mr Bergsten, Mr Clinton firmly rejects. But in our bilateral consultations, the Clinton administration seems to be pursuing the same approach vigorously.

In *Reconcilable Differences*, Mr Bergsten writes that the semiconductor VIE can take substantial

credit for the increased share of foreign companies in that Japanese market. But market share depends on the efforts of companies and the market situation, and it is not something that an official text can determine. At present, we see some worrying signs of deterioration in the Japanese economy. It would come as no surprise if the economic environment became less conducive to imports.

Business people tend to be discouraged by VIEs from making their products more competitive. Instead, they are encouraged to press their governments for a guaranteed slice of a foreign market. The fact that when then-President George Bush visited Tokyo he was accompanied by three car industry executives supports this view. It is imperative in our market economy to get straight what the government is supposed to do and not to do, and to have business people take responsibility for business matters. They should not be given a way to blame others for what is their own fault.

VIEs are becoming increasingly out of date as corporate activities

become more globalised. The sourcing of parts and components, foreign investment and the movement of technology and money on a global scale are now a matter of fact. Corporate alliances among companies of different nationalities in research and development, production and marketing are spreading throughout the world. As a result, the nationality of a company and product is now so complex and difficult to identify that any definition of imported or foreign product is arbitrary and incomplete.

Mr Bergsten plays down the risk of inviting unrestrained government intervention, and blurs distinctions between public and private sectors. Consequently he fails to appreciate the self-perpetuating and contagious nature of VIEs. Our experience suggests that they will not work in the way he expects.

Risaburo Nezu

The author is deputy director-general for trade negotiations at Japan's Ministry of International Trade and Industry.

Sundown in the east

■ Britain's new ambassador to Azerbaijan, who takes up his new posting in Baku today, will not be lacking in ex-pat company. Many officials from British Gas and elsewhere, involved in a multi-million pound gas exploration deal, are flocking to the region. This is in marked contrast to his colleagues scattered around the rest of the former Soviet Union, where the British government's tightly-drawn purse-strings have left a diplomatic community definitely lacking in depth.

In the Baltic states, Lithuania and Estonia manage just four diplomats between them; Latvia has the same number all to itself. These territories may be small - boasting a combined population of just 8m. All the same Malta, which is not generally considered to be a bridgehead to the lucrative Russian market, has seven people, excluding the local hires.

The Germans, Danes and Swedes are ubiquitous on the ex-USSR's western frontier - partly for historical reasons, to be sure. But even France, which, like the UK, has few traditional links to the region, has opened a trade mission in Vilnius.

Next door, in Belarus, it gets worse. The UK "shares" an embassy with Germany - meaning that the man in Minsk has one room in the

old east German consulate, where the receptionist barely speaks English. At least Graham Greene's Man in Havana employed a secretary.

In Kazakhstan, the Germans are also being similarly hospitable, while Britain so far goes unrepresented in Turkmenistan and Georgia.

The Foreign Office is not insensitive to the problem, and defends the current distribution of resources by saying that these new states are "still very much on the periphery". But who will be on the periphery in a decade or two.

Political loyalty

■ Having an ex-chancellor on the board did not keep GPA out of the mire, nor has Lord Lawson's magic wand kept Barclays entirely free from trouble.

So Observer wishes Sir Evelyn de Rothschild better luck with his decision to invite Norman Lamont back to his former employer.

"We are showing loyalty to someone who worked here," says Sir Evelyn of the man who worked full-time at the merchant bank from 1983-1971.

Meanwhile, Sir Evelyn professes to be unfurled by any unguided missiles Lamont might launch on the fringes of the party conference, hence possibly endangering those close government links that are so valuable to merchant banks.

OBSERVER



'He aged visibly when he read this'

"He has more friends than people think," says the chairman of N.M. Rothschild.

Lordly airs

■ The Broadcasting Complaints Commission today entertains two of its most distinguished ever complainants, two former chancellors of the exchequer, Lords Howe and Lawson.

Their grievance concerns a Channel 4 programme, A Brief Economic History of Our Time. First broadcast in February, it robustly dealt with the Conservative government's monetary policies and Britain's

1980s boom and recession. The two peers of the realm, central players at the time, have decided to exercise their right of complaint because they believe the programme was almost entirely "a critical and partisan polemic". They also argue that if they had not been misled about the nature of the programme they would have declined to be interviewed for it.

The third chancellor interviewed - Labour peer Lord Healey - appears not to have taken exception to the programme. Healey obviously felt that the programme fell short of "being savaged by a dead sheep" - how he once described being attacked by the then Sir Geoffrey Howe.

Channel 4 and Fulcrum, the independent producers who made the programme, are taking a strong line. Their intended defence is that the programme was not only true, but also fair and balanced. But if Fulcrum and its main investigative reporter Christopher Hird are found "guilty" by the BBC, an apology will have to hit Channel 4's airwaves.

Sniffed at

■ A decade ago Haruki Kadokawa predicted that by 1994 he would have become one of the world's most influential media tycoons. But this vaulting ambition has been somewhat truncated by his sojourn over the past few days in police custody answering questions about

alleged cocaine use and importation.

A maker of big-budget period dramas, including Heaven and Earth, a 1989 film in which 3,000 Canadian extras enacted a battle scene between warring Japanese feudal clans, Kadokawa has been forced to watch the spectacle of his own empire crumbling.

Although Kadokawa denies the prosecutors' allegation that he had asked staff to bring in cocaine from the US, his publishing house, Kadokawa Shoten Publishing, is not waiting for the outcome and has moved to disown him as president. It is already worried by the extra diligence being shown by the education ministry over student textbooks which it publishes and is fearful of the potential impact on two of its most successful titles: Tokyo Walker, an entertainment magazine, and The Television, a programme guide with a circulation of 900,000.

Also affected is Rex, a cute cinematic dinosaur (director, Haruki Kadokawa) and one of the bigger hits of the Japanese summer season. His career, unlike those of the stars of Jurassic Park, is being cut short by an apprehensive Japanese film distributor.

Which strip?

■ Overheard on the London Underground yesterday: "I hear the Israelis are giving Gaza to the Palestinians."

Serbs and Moslems to set up peace hot line

By Laura Silber and Frances Williams in Geneva and Gillian Tett in London

BOSNIAN Serbs and Moslems appeared to be inching closer to a settlement yesterday after officials announced that Bosnian president Alija Izetbegovic and Bosnian Serb leader Radovan Karadzic had agreed to a ceasefire and an early exchange of prisoners.

The agreement, which came after the three sides resumed their peace talks in Geneva, calls for the establishment of a communications hot line between the Bosnian capital, Sarajevo, and Pale, the Serb mountain stronghold 10 miles to the east, a joint commission to restore water and electricity supplies to Sarajevo and a new "media" detente.

Meanwhile, in another sign of gathering momentum in the peace process, Western diplomats indicated that discussions were being stepped up for the possible deployment of peace keeping troops in the area.

Mr Manfred Wörner, Nato secretary-general, is to meet Mr Boutros Boutros Ghali, UN secretary-general, today in Geneva

to discuss issues including Bosnia.

Nato officials in Brussels said the deployment of troops in Bosnia was likely to be the central topic, but warned that the allies were still not prepared to make any firm commitment yet on the numbers of troops.

However, the Russian government yesterday pledged to provide extra peacekeeping troops for Bosnia in the event of a peace settlement between the three warring factions, the first major power to do so unconditionally.

Speaking to reporters after meeting Mr Boutros-Ghali, Mr Andrei Kozyrev, Russia's foreign minister, said the number of troops would depend on the terms of the peace accord and what their tasks would be.

It is widely expected in Nato that America will provide a large part of the 40,000 plus extra peace keeping troops that international mediators say will be required to police a partition.

British officials yesterday indicated that Britain was considering contributing several thousand troops, but stressed that a decision on the scale of Britain's commitment could not be made

until the three sides had reached a firm peace agreement in Geneva - something that many diplomats doubt will happen in the next few days in spite of yesterday's ceasefire agreement.

Although the Bosnian Serbs have accepted the "peace package" they refuse to make any more concessions to the mainly Moslem republic, which, under the plan, will form a "union" along with the Croat and Serb republics. The Bosnian Moslems fear they will be wedged between the two ethnic states, at the mercy of their foes.

Mr Izetbegovic's delegation wants restoration of key territory in eastern Bosnia and the town of Prijedor, north-western Bosnia, which were mainly Moslem until Serb forces seized control. They want access roads to Neum, a fishing village on the Adriatic and the eastern enclaves.

Meanwhile, in Mostar a UN protection force yesterday finally succeeded in leaving the city after it had been trapped there for four days by Moslem demonstrators. The Moslems feared their departure would trigger a fresh assault by the Croat forces besieging the city.

Danish budget aims to boost jobs

By Hilary Barnes in Copenhagen

THE Danish government yesterday unveiled plans to pump an extra DKK12bn (€1.8bn) into the economy in an attempt to cut the unemployment rate to 11.4 per cent by the end of next year.

The draft 1994 budget will inject the equivalent of about 1.4 per cent of 1993 GDP, into the economy through a combination of tax cuts and increased expenditure.

The government predicts its fiscal policy will contribute to an increase in real GDP of 2.9 per cent in 1994, compared with growth of only 0.2 per cent this year. But the move will boost inflation, according to forecasts, with the average rise in consumer prices increasing from 1.3 per cent in 1993 to 3 per cent next year.

Mr Mogens Lykketoft, Social Democratic finance minister in the coalition government, said the budget represented "a responsible policy". The government of prime minister Poul Nyrup Rasmussen was determined to cut unemployment.

Mr Lykketoft, who was presenting his first budget to the media yesterday (the Folketing does not reconvene until October), described the easing of fiscal policy as "temporary".

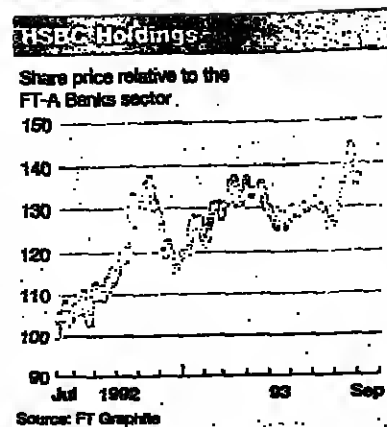
The current account returned to surplus in 1990 after 26 consecutive years of deficit. The estimated surplus of DKK27bn this year equals 3.1 per cent of GDP. Private consumption next year is expected by the government to increase by 3.9 per cent and business investment, which has declined for three consecutive years, by 6.5 per cent. The government hopes this will bring unemployment down for the first time since 1986 from a 1993 average of 12.1 per cent, up from 11.1 per cent last year.

New expenditure of DKK3.3bn includes DKK3bn for infrastructure investments. Total budget expenditure will increase by 7 per cent to DKK383.5bn from DKK363.3bn this year, while revenue will increase by 8 per cent to DKK333.2bn from DKK307.5bn, leaving the deficit virtually unchanged at DKK55.7bn, about 6 per cent of GDP.

THE LEX COLUMN

Eastern promises

FT-SE Index: 3100.0 (-0.6)



Share price relative to the FT-SE index

that looks like a wish that is unlikely to be granted soon. The cash outflow from Euro Disney is likely to be FF1.3bn this year and at least FF500m next. Gearing may exceed 400 per cent. Banks will be understandably nervous of adding to the FF200bn debts of the project, but shareholders have few investment yardsticks to value any rights issue. The company has no earnings and is unlikely to repeat last year's nominal dividend. Euro Disney's asset value of FF35 a share is also shrinking rapidly. Even the discounted cash-flow model, beloved of those who launched the first equity issue, has shown how present values can swing wildly depending on the initial assumptions.

Since neither banks nor outside shareholders are keen, and the original deal was so favourable to Walt Disney, it may be required to make concessions. Disney apparently regards the FF900m second phase of development as important to build critical mass and fill the resort's hotels. One possibility would be for Walt Disney to cut its management fees, buy the hotels at a price reflecting their future value and then lease them back to Euro Disney, generating cash for the second phase and allowing a rights issue. Certainly Walt Disney's strictly limited financial commitment to the project is an illusion. The last thing the US parent can afford is the publicity that would surround the park's failure.

Reinsurance

The flow of insurance capital into Bermuda must be falling for Lloyd's of London as it tries to attract new

blood of its own. The latest venture, backed by Swiss Re with the promise of an international equity offering to come, brings new capital committed this year to Bermuda to around \$2bn. Most new Bermudian operations will reinsure catastrophe risks, an area of the London market decimated by the string of natural disasters culminating in Hurricane Andrew. Since demand for catastrophe reinsurance is growing, it is only natural that fresh capital should fill the gap.

The benign Bermudian tax regime and the opportunity to invest in a new venture with a clean sheet is proving a powerful attraction. In contrast Lloyd's is still struggling with under-year losses and the threat of litigation. So long as capital remains scarce, offshore centres like Bermuda might complement rather than challenge the London market. Additional reinsurers are capacity should allow Lloyd's underwriters to place additional business. In the hunt for additional capital to shore up the capacity of Lloyd's itself, though, Bermuda has emerged as a serious competitor.

With catastrophe reinsurance rates more than doubling in many areas, and even good-quality insurers still struggling to find sufficient cover, the case for more capacity seems persuasive. But whether catastrophe rates are now sufficient to cover the risk remains a moot point. One reason the recent claims record is that climatic change has made the world altogether more risky than in the past. Such doubts might explain Swiss Re's willingness to share the risks with outside investors rather than taking the best of the business for itself.

LWT

Congratulations to those LWT directors who have sold 13 per cent of their shareholdings at the first opportunity. Like any sensible fund-manager they have top-sliced a windfall profit - making sure of a cosy Christmas while keeping a stake in the business. Despite institutional claims that the kerfuffle over LWT is pure hindsight, the likely consequences were clear at the time. Nor is it clear how investing institutions would react were a similarly bizarre proposal to emerge now. Many apparently find it difficult to object if boards and their financial advisers are agreed on a course of action. Yet unless shareholders find the will to break the cosy consensus, such excessive schemes may not be just a feature of the frothy 1990s.

Japanese coalition partners split on political priorities

By Robert Thomson in Tokyo

DIVISIONS appeared in Japan's coalition government yesterday when Mr Morihiro Hosokawa, the prime minister, was told by a coalition partner not to be distracted by economic and foreign policy at the expense of political reform.

Mr Kazuo Aichi, director of policy for the Japan Renewal party (JRP), one of the seven coalition parties, said the government had promised to complete reform of the electoral system by the end of this year. Mr Hosokawa should devote his energies to that end, he added.

"The cabinet was formed to introduce political reforms. I don't think we have the time to deal with other issues," said Mr Aichi.

His comments reflect the difference in emphasis between Mr Hosokawa and the JRP, formed by defectors from the Liberal Democratic party, who see the present coalition as having a mandate only to introduce electoral changes.

Some JRP officials say the coalition is intended to be temporary. They oppose Mr Hosokawa's ambitions over deregulating the economy, confronting Japan's war history, and discussing a fine-tuning of US relations.

Mr Aichi suggested that Mr Hosokawa should abandon plans to address the United Nations later this month, and spend his time thinking about political reform. The prime minister plans to speak on foreign policy.

The joint leader of the JRP, Mr Ichiro Ozawa, a former backroom operator at the LDP, made clear that he did not expect the coalition

to last long by proposing that his party work towards the creation of a two-party system.

"This [the coalition] is not the final form. The establishment of the coalition was one step toward breaking up collusive politics, in which politicians lie and yet manage to escape any responsibility for affairs," Mr Ozawa said.

However, he said the coalition should attempt to end the practice of permitting bureaucrats to answer questions in parliament on behalf of cabinet ministers, who are often not well enough prepared to discuss their portfolio.

The coalition parties generally agree that parliamentary rules should be changed to encourage debate.

Economy may be Tokyo power broker, Page 5

Hope, dust and fear in occupied zones

Continued from Page 1

leave. A more fanatical Jewish group - aligned to the right-wing National Religious party - has started a sit-in at the site of a sixth century synagogue on the outskirts of Jericho town.

"There was a Jewish community here 1,500 years ago and I think this land belongs to the Israel nation," said Mr Yaron Ben-Zvi, a member of the Jericho yeshiva - a religious college. "This land was promised to the Jews by God. We don't believe

the government will give up Jericho. Taking Jewish people out of this land is going against God."

Mr Ben-Zvi represents a very small minority. Extremism in Jericho, however, is not confined to the Jewish community. The Islamic fundamentalist Hamas movement - which rejects talking peace with Israel - called a strike yesterday to protest against the peace agreement. Most shopkeepers ignored the call. But in the poorer sections of Jericho businessmen closed their graffiti-covered shutters.

"Palestinian Islamic land is from the Jordan river to the Mediterranean sea," said Mohammed, who refused to give his last name. "The agreement breaks with Islamic religion. The settlers are our enemies. Someone who takes your land cannot be your friend. This is Islamic land - it is not for the Jews." Islamic extremism thrives in the economically devastated occupied-Gaza Strip but is less strong in Jericho. Most Palestinians in Jericho cautiously welcomed the peace deal. They hope

it will be followed by massive aid and investment to boost an underdeveloped economy dependent on agriculture and tourism.

"We see this as a first step towards peace," said Mr Isaac Shawar, a grocer who opened his shop yesterday. "But this step must be followed by other steps returning all occupied Palestinian lands. Jews and Moslems were friends for centuries. The problems only started in 1948 and if the problems are undone, maybe we can live like that again."

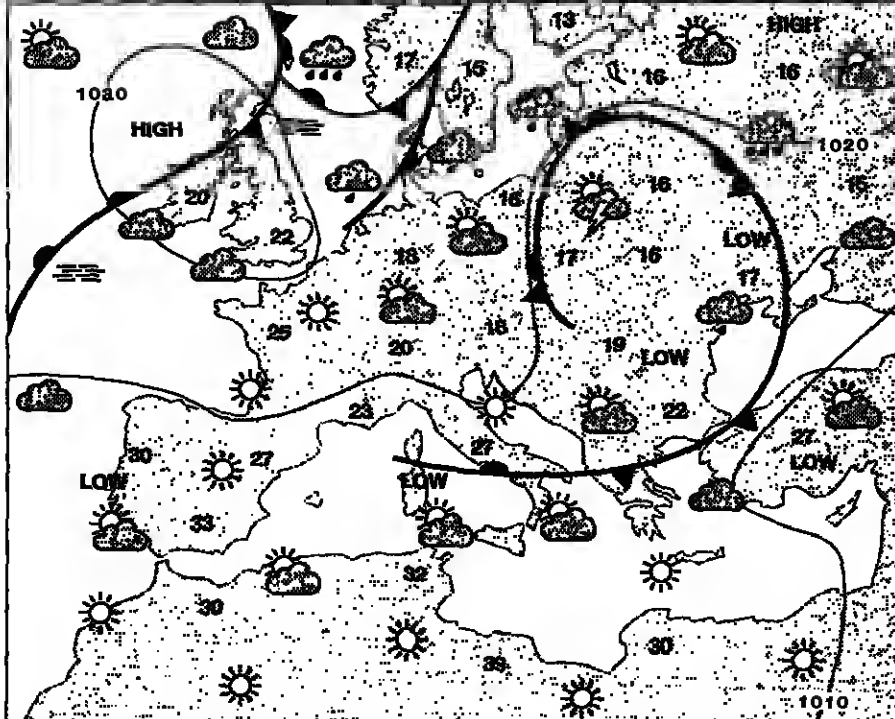
FT WORLD WEATHER

Europe today

High pressure over the British Isles will continue to give settled conditions in north-western Europe with mist patches in coastal areas. Northern parts will be mainly cloudy but the south is likely to have sunny spells in the afternoon. Spain, France, northern Italy and Greece will continue sunny and warm. Southern Portugal and Italy will have sunny spells alternating with scattered cloud. Rain and cloud will enter eastern Europe and thunder showers will develop. A frontal zone will move over Norway into Sweden bringing drizzle in the south, and rain in the north which will moderate to showers in the afternoon.

Five-day forecast

North-west France and the British Isles will remain settled and mainly dry. The western Mediterranean will stay sunny and warm. A developing northerly air flow will move cold air into central Europe bringing rain followed by showers. As the cold air pushes south it will encounter warm air in south-east Europe, triggering thunder showers.



TODAY'S TEMPERATURES

Abu Dhabi	sun	41
Azores	cloudy	29
Algiers	sun	31
Amsterdam	cloudy	17
Athens	fair	29
B. Aires	rain	14
Bham	fair	22
Bangkok	cloudy	32
Barcelona	sun	27
Beijing	cloudy	29
Belfast	cloudy	19
Catania	showers	19
Colonia	fair	31
Dakar	fair	29
Dallas	thund	35
Delhi	fair	36
Dubai	clear	41
Dublin	fair	20
Dubrovnik	sun	24
Edinburgh	cloudy	21
Faro	sun	29
Frankfurt	fair	21
Geneva	sun	21
Glasgow	cloudy	20
Hamburg	cloudy	17
Helsinki	cloudy	14
Hong Kong	cloudy	32
Honolulu	fair	30
Istanbul	sun	24
Jersey	fair	19
Karachi	sun	34
Kuwait	sun	48
L. Angeles	fair	24
Las Palmas	sun	26
Lima	cloudy	20
Lisbon	sun	30
London	fair	22
Luxembourg	drizz	19
Lyon	sun	22
Madrid	sun	25
Manila	sun	34
Majorca	sun	29
Melbourne	cloudy	17
Mexico City	thund	21
Miami	fair	32
Montreal	fair	22
Moscow	fair	15
Murich	thund	18
Nairobi	sun	24
Naples	fair	27
Nassau	thund	31
New York	windy	30
Nice	sun	24
Nicosia	sun	40
Ole	fair	19
Paris	fair	22
Perth	fair	15
Prague	showers	19
Rangoon	cloudy	30
Riyadh	rain	14
Rio	showers	28
Riyadh	sun	43
Rosario	fair	27
S. Francisco	fair	28
Sao Paulo	thund	31
Singapore	thund	28
Stockholm	cloudy	15
Strasbourg	cloudy	22
Sydney	showers	17
Taipei	sun	29
Tel Aviv	sun	35
Tokyo	cloudy	29
Toronto	sun	24
Tunis	sun	32
Vancouver	fair	21
Verona	fair	24
Vienna	cloudy	19
Warsaw	thund	17
Washington	showers	31
Wellington	fair	10
Winnipeg	fair	20
Zurich	fair	20

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Without us, experiments in space wouldn't be improving life on earth.

Microminialisation technology, derived from experiments in space, has helped to develop a revolutionary system that may soon free diabetics from the daily burden of insulin injections. John Crane Bellab and MiniMed Technologies have designed and produced a miniature titanium pump which is implanted in the abdomen. Using a hand-held radio controller, the diabetic can signal to a tiny radio and computer inside the pump to release the correct dosage of insulin into the body. The pump has just received full market approval in France and should soon be available throughout Europe. John Crane is one of TI Group's three specialised engineering businesses, the others being Bandy and Dowty. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.

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INTERNATIONAL COMPANIES AND FINANCE

Strong sales growth lifts Astra 58% to SKr3.7bn

By Christopher Brown-Humes in Stockholm

ASTRA, the Swedish pharmaceuticals group, said first-half profits rose 58 per cent, to SKr3.7bn (\$456.1m), as it continued to benefit from surging sales of its two main drugs, Losac and Pulmicort.

The group warned that profit growth over the rest of the year would be slower, mainly because last year's fourth-quarter result was inflated by SKr500m in currency gains following the floating of the Swedish krona. It expects sales growth to continue at the 38 per cent level

achieved in the first half. Currency factors slowed pre-tax profits growth in the second quarter from the 63 per cent of the first three months. However, growth in operating profits, which rose to SKr2.99bn from SKr2.06bn in the first half, was unchanged at 45 per cent.

An 18 per cent increase in volume, and the depreciation of the krona powered the increase in group sales, to SKr10.56bn from SKr7.64bn. The group said sales rose 50 per cent in the UK.

It also said its position was improving in Germany, its largest single market, where

all drug companies came under an intense cost-containment squeeze in the first few months of the year. Even so, first-half sales in the German market fell 10 per cent.

Sales of Losac, the company's highly successful anti-ulcer drug, rose 61 per cent to SKr3.26bn from SKr2.04bn. Total sales of the drug, including those through licensees, amounted to SKr5.55bn, against SKr3.5bn. Sales of anti-asthma agent Pulmicort climbed 53 per cent to SKr1.37bn from SKr896m. Plendil, the anti-hypertensive agent, increased sales by 41 per cent to SKr418m.

France to open state sell-off with BNP

By John Riddling in Paris

BANQUE NATIONALE DE PARIS, one of France's largest banks, will kick off the government's ambitious privatisation programme.

Mr Edmond Alphandery, the economy minister, yesterday described the bank as a "symbol" of the French economy. He said the privatisation would take place within weeks, providing stock market conditions were favourable.

The choice of BNP, valued at between FF35bn and FF40bn (\$6.9bn), reflects the government's desire to demonstrate confidence in the privatisation programme, which aims to sell 21 publicly-controlled companies to the private sector.

"They wanted to start with a bang," said Mr David Harrington, head of research at James Capel in Paris. "It is a signal that they mean business on privatisations."

The government is expected to sell the whole of its 73 per cent stake in the bank as part of its plan to raise at least FF40bn from privatisations this year.

The privatisation of BNP will be followed by the sale of the government's 43.4 per cent stake in Rhône-Poulenc, the chemicals group. Elf Aquitaine, the oil group, and Banque Paribas, a small retail bank, are next on the list.

BNP has been preparing itself for privatisation since the appointment in March of Mr Michel Pébereau as chairman. It has increased its provisions for general risks and bad loans, particularly for small and medium-sized companies.

These provisions have caused a sharp fall in profits. Results for the first half of this year showed a fall of 60 per cent to FF522m. However, banking analysts in Paris said they represented an attempt to eliminate problems ahead of privatisation.

Between now and privatisation, say analysts, BNP will try to secure a hard core of long-term investors. These could include UAP, the insurance group, which already holds about 10 per cent of BNP's shares.

Profits at CS Holding surge 65%

By Ian Rodger in Zurich

CS HOLDING, the financial services group built around Credit Suisse, the Swiss bank, yesterday reported a jump of 65 per cent, to SFr82m (\$800m), in first-half net income. It forecast a "very good" full-year profit.

The strong result, attributed mainly to soaring revenues from trading, enabled the group to reach for the first time its target of a 15 per cent return on equity.

The return would have been higher if the group had not shifted an unusually high proportion of its SFr2.8bn in pre-tax profits to provisions for bad loans.

Provisions in the first half reached SFr1.34bn, SFr509m



Rainer Gut economic activity recovering, but slowly more than in the first half last year. All but SFr9m of the

SFr234m pre-tax profit of the group's new subsidiary, Swiss Volksbank, was placed in a contingency provision. This was in addition to SFr472m of excess Volksbank equity transferred to general reserves.

Mr Rainer Gut, CS chairman, said economic activity was recovering, particularly in Switzerland. But with the recovery moving slowly, "a considerable amount" would probably have to be charged to provisions in the full year.

Another CS Holding official acknowledged that the provisions at the interim stage were very generous, but said they were made as a contingency. "It is better to do it in the first half rather than be surprised in the second half," he said. Consolidated gross income

jumped 44 per cent to SFr6.49bn. Volksbank, acquired in April for SFr1.6bn, provided SFr55m of the rise. Trading income, the group's largest source of profit, soared 83 per cent to SFr2.3bn, while commission income was up 31 per cent to SFr2.3bn. Net interest income ahead 23 per cent to SFr1.67bn.

Total operating expenses advanced 37 per cent to SFr3.7bn, with the inclusion of Volksbank figures accounting for two-fifths of the rise. Much of the rest came from big performance bonuses paid at CS First Boston subsidiaries. The addition of Volksbank pushed total assets to SFr43.3bn at June 30, making CS the largest Swiss financial services group.

Trelleborg plans rights issue

By Christopher Brown-Humes

TRELLEBORG, the Swedish mining and metals group, yesterday became the fifth large Swedish group to announce a rights issue in the past two weeks when it unveiled plans to raise SKr1.3bn (\$149m) from shareholders to cut debts.

It also aims to sell its Munksjö paper and packaging unit, or float it on the stock exchange, in a move which could raise several billion kronor. The group also wants to sell its remaining shares in Svedala, the mineral processing and transport unit.

The plans were announced as the group sank deeply into the red with a first-half loss after financial items of SKr796m, against a SKr117m

profit in the same 1992 period. Depressed metal prices led to a fall in turnover, to SKr10.97m from SKr11.55bn, while there was an operating loss of SKr131m, against a SKr29m profit.

Trelleborg said in July it planned to cut debts by SKr3bn over the next 12 months.

The rights issue will be on a one-for-two basis at SKr30 per share.

The group has net debts of about SKr10bn and has convertible debt assets worth SKr1.4bn this year.

● Incentive, the industrial and investment group controlled by the Wallenberg family, said rationalisation and increased focus on engineering businesses helped it lift first-half profits to SKr273m from

SKr212m, excluding associated companies. The increase was achieved despite a fall in sales to SKr2.74bn from SKr2.93bn, amid weak conditions in the group's main Nordic and west European markets.

If income from incentive's stakes in Asea, Electrolux and Esab is included, profits climbed to SKr790m from SKr654m.

The group said construction groups Munters and Tour & Andersson and materials handling group Högglunds Marine had performed well despite difficult market conditions.

Hasselblad, the camera company, had a more difficult time, largely because of a weak European market.

Fiat pins hopes on new model

By Haig Simonian and Kevin Done in Turin

FIAT, the Italian motor group, hopes foreign sales of its new Punto small car, to go on sale early in November, will open the way to an export-led recovery for its car activities.

Mr Paolo Cantarella, managing director of the Fiat Auto subsidiary, compared the Punto's importance with the Fiat Uno, the award-winning small car which reversed Fiat's decline in the early 1980s.

Mr Cantarella expected up to 50 per cent of Punto production to be sold abroad, against 40 per cent for the Uno. Fiat is releasing the new model, in

which it has invested more than L5,600bn (\$2.5bn), simultaneously in Italy, France and Germany.

Mr Cantarella admitted the segment of the European car market into which the Punto fitted was by far the most competitive.

Rivalry in the 'B' segment, which includes the VW Polo and Renault Clio, was set to stiffen as other manufacturers, which had previously concentrated on bigger cars, diversified into smaller models.

Fiat is depending on the Punto to spearhead an improvement in sales, notably in the home market it once dominated. Fiat's share of the

Italian market has plunged to around 44 per cent from about 60 per cent in the late 1980s.

The group's position has been exacerbated by this year's 26 per cent fall in domestic car sales. "We don't underestimate the difficulties the industry is facing. However there's no reason to suppose we can't return to development and recovery," said Mr Cantarella.

The Punto is expected to sell between 60,000 and 70,000 units this year - too few to affect Fiat's 1993 results. However, sales should reach between 450,000 and 500,000 in 1994. Fiat will release first-half sales and earnings figures later this month.

Linde hit by strength of D-Mark

By David Waller in Frankfurt

LINDE, the German engineering group, yesterday announced a fall of just more than a third in pre-tax profits for the first six months of the year. It predicted profits for the full year would also be down.

Hit by the effects of a strong D-Mark and by domestic recession, pre-tax profits fell to DM161.1m (\$96.7m) from DM243.1m in the first half of last year. Turnover fell 6.9 per cent to DM3.23bn.

Linde warned that sales would be down 5 per cent for the whole year. Order intake rose to DM5.99bn, 10 per cent higher than at the end of 1992. This reflected a number of new plant construction contracts.

Linde said demand for fork-lift trucks and warehousing equipment was sharply lower than expectations. The European market for fork-lift trucks, for example, slumped 25 per cent in the six months.

Without recent acquisitions, the group's turnover in this market segment was down 16 per cent, and order intake by 18 per cent.

The strengthening of the D-Mark against European currencies also hit the fridge manufacturing business.

Attwoods' US subsidiary indicted

By Richard Gourlay in London

A SUBSIDIARY of Attwoods, the waste management group where Sir Denis Thatcher is the deputy chairman, has been indicted by a federal grand jury for billing irregularities and alleged violations of municipal contracts.

The indictments, from the District of Maryland, follow an investigation by the US attorney's office and the Federal Bureau of Investigation into the group's Eastern Waste

Industries subsidiary in Annapolis.

Attwoods said the indictments related to overcharging dating back to 1989, before the company was acquired.

The investigations had been reported to shareholders. A \$10m provision was made in the last accounts.

Customers who had been overcharged had been reimbursed with interest at a total cost of about \$4m, according to Mr Ken Foreman, chairman and chief executive. Directors

still believed the provisions were adequate to cover legal costs and any fines that might arise from the indictment of the company and eight current and former employees.

Mr Foreman said: "There is no doubt that customers were overcharged. We discovered it and wrote to every customer back to 1982."

He said Attwoods had begun auditing and reimbursing customers in March 1990, before federal authorities said they had begun their investigation.

UNBUNDLING OF GENCOR'S NON-MINING INTERESTS

1. RESULTS OF GENERAL MEETING

At the Gencor Limited ("Gencor") general meeting of shareholders held on Tuesday, 31 August 1993, the ordinary resolution, as set out in the notice of the general meeting, relating to the unbundling of Gencor's non-mining interests, was approved by the requisite majority of shareholders. In terms of the unbundling, Gencor will distribute to its ordinary shareholders its holdings in Engen Limited, Gencor Investments Limited ("Gencor"), Mulholland Limited and Sappi Limited ("the affected shares"), by way of a dividend in specie.

All the conditions precedent to the unbundling have now been met.

2. UNSOLING RECORD DATE

The last day in respect of an offer to be able to participate in the unbundling of Gencor is Friday, 5 November 1993. Shareholders who have acquired ordinary shares but who have not yet registered them in their names, should ensure that such registration takes place on or before the unbundling record date in order for them to participate in the unbundling.

All dealings on the Johannesburg and London Stock Exchanges in Gencor ordinary shares for the week ending Friday, 5 November 1993 will be for immediate settlement.

3. PROPOSED OFFERS IN RESPECT OF ODD LOTS ACCRUITING TO SOUTH AFRICAN RESIDENT SHAREHOLDERS

As previously announced, Gencor will, other than in respect of its own shares, make an offer to Gencor ordinary shareholders, resident in South Africa and registered as such, to enable them to sell their unbundled Gencor shares to Sankorp, on condition that Sankorp will, according to a pre-determined formula, transfer to them a proportion of the unbundling, an appropriately greater number of post-unbundled Gencor ordinary shares in registered form.

The terms and further details of the offer to be published, and an offer circular posted to such shareholders, on or about Monday, 15 November 1993. These offers will open on or about Monday, 15 November 1993 and close on or about Friday, 3 December 1993.

4. PROPOSED SANKORP FACILITY FOR NON-RESIDENT SHAREHOLDERS

As previously announced, Gencor has procured that Sankorp will make a facility available for Gencor non-resident ordinary shareholders. This facility will, in effect, enable such shareholders who elect to utilize it, to sell their unbundled Gencor shares to Sankorp, on condition that Sankorp will, according to a pre-determined formula, transfer to them a proportion of the unbundling, an appropriately greater number of post-unbundled Gencor ordinary shares in registered form.

The terms and further details of the offer to be published, and an offer circular posted to such shareholders, on or about Monday, 15 November 1993. These offers will open on or about Monday, 15 November 1993 and close on or about Friday, 3 December 1993.

5. HOLDERS OF SHARE WARRANTS TO SEARER

Holders of share warrants to bearer wishing to convert and crystallize their holding into Gencor registered shares in order to elect to use the proposed Sankorp facility, details of which are to be announced on or about 24 September 1993, should make provision to lodge their conversion application, bearer warrants and coupon sheets with coupons 143 and upwards attached at:

Gencor (U.K.) Limited
30 By Place
London EC1N 6JA

Johannesburg
1 September 1993

Gencor Limited
Registration No 010123206
Incorporated in the Republic of South Africa

MERCURY SELECTED TRUST (SICAV)

Registered Office: 14 rue Léon Thyges, L-3636 Luxembourg
Grand-Duchy of Luxembourg, R.C. Luxembourg: B.6317

NOTICE OF EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

The Extraordinary General Meeting of Shareholders of Mercury Selected Trust will be held at its registered office at 14 rue Léon Thyges, Luxembourg at 11.00 a.m. on 17th September, 1993, for the purpose of considering and voting upon a proposal to amend the Articles of Association, in a form to be submitted to the meeting, in substitution for those at present in effect, such adoption to involve in particular:

- conferring on the Directors powers to fix Dealing Days and to make provisions governing how Share prices are determined;
- subject to legal and regulatory authorisations, permitting management of the Company's assets in parallel with those of other clients of the Investment Manager or its affiliates;
- amending provisions permitting disposal of redemptions and conversions;
- changing the date of the Annual General Meeting;
- amending provisions permitting closure of a particular Fund;
- abandoning share certificates in relation to Registered Shares and enabling the Directors to determine on a fund by fund basis whether Shares will be available in bearer form (but without prejudice to existing Bearer shares);
- clarifying settlement arrangements in respect of dealings in Shares and the remedies of the Company in case of default.

Voting
The Resolution on the Agenda of the Extraordinary General Meeting of Shareholders may be passed with a minimum quorum of 50 per cent of the issued shares by a majority of 75 per cent of the votes cast thereon at the Meeting.

Further Meeting
If a quorum is not present at the above Extraordinary General Meeting of Shareholders, a further Extraordinary General Meeting will be convened and held at the same address on 21st October, 1993 at 11.00 a.m. to consider and vote on the proposal mentioned above. At such Meeting there will be no quorum requirement and the Resolution on the Agenda will be passed by a majority of 75 per cent of the votes cast thereon at the Meeting.

- Voting Arrangements**
In order to vote at the Meetings:
- the holders of Bearer Shares must deposit their Shares, either at the registered office of the Company not later than 14th September, 1993 or with any bank or financial institution acceptable to the Company, and the relevant Deposit Receipts (which may be obtained from the registered office of the Company) must be forwarded to the registered office of the Company to arrive not later than 14th September, 1993. The Shares so deposited will remain blocked until the day after the Meetings or any adjournment thereof;
 - the holders of Registered Shares need not deposit their certificates but can be present in person or by a duly appointed proxy;
 - Shareholders who cannot attend the Meetings in person are invited to send a duly completed and signed proxy form to the registered office of the Company to arrive not later than 14th September, 1993. Proxy forms will be sent to registered Shareholders with this Notice and can also be obtained from the registered office.

Information for Shareholders
Shareholders are advised that a draft, subject to amendment, of the proposed new Articles and a copy of the Agenda of the Extraordinary General Meeting is available for inspection at the registered office of the Company and at the following places:

- S.G. Warburg & Co. Ltd.
6th Floor, Paying Agency
1 Finsbury Avenue
LONDON EC2M 2PA
- Commerzbank AG
FRANKFURT/MAIN
DUSSELDORF
HAMBURG
- Creditanstalt-Bankverein
Schottengasse 6
1010 VIENNA
- Banque Internationale à
Luxembourg S.A.
2 boulevard Royal
LUXEMBOURG

A draft in final form of the proposed new Articles will also be available for inspection at the Meeting.

1st September, 1993 The Board of Directors

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN NIPPON FIRE & MARINE INSURANCE CO., LTD.

EDR holders are informed of a dividend to holders of record date March 31, 1993. The cash dividend payable is Yen 5.5 per common stock of Yen 50.00 per share. EDR holders may now present Coupon No. 46 for payment to the undersigned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving benefit of the reduced withholding rate. Failing receipt of a valid affidavit, Japanese tax will be deducted at the rate of 20% of the gross dividend payable. The full rate of 20% will also be applied to any dividend claimed after October 31, 1993.

EDR	Gross Dividend	Dividend Payable	Dividend Payable less 15% Japanese withholding tax
1,000 shares	\$27.52	\$27.52	\$23.89

Depository: Citibank, N.A., 333 Street, London WC2R 1HB
September 1, 1993

Agent: Citibank (Luxembourg) S.A., 18 Avenue Marie Thérèse, Luxembourg

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN SHARP CORPORATION

EDR holders are informed of a dividend to holders of record date March 31, 1993. The cash dividend payable is Yen 5.5 per common stock of Yen 50.00 per share. EDR holders may now present Coupon No. 25 for payment to the undersigned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving benefit of the reduced withholding rate. Failing receipt of a valid affidavit, Japanese tax will be deducted at the rate of 20% of the gross dividend payable. The full rate of 20% will also be applied to any dividend claimed after October 31, 1993.

EDR	Gross Dividend	Dividend Payable	Dividend Payable less 15% Japanese withholding tax
1,000 shares	\$50.52	\$50.52	\$43.28

Depository: Citibank, N.A., 333 Street, London WC2R 1HB
September 1, 1993

Agent: Citibank (Luxembourg) S.A., 18 Avenue Marie Thérèse, Luxembourg

Appointments
Advertising appears every Wednesday and Thursday (UK) and Friday (in the Int'l edition only)

PGF (BERMUDA) LTD
USD15,000,000
FLOATING RATE NOTES DUE 1999

Notice is hereby given that for the interest period from 1 September 1993 to 1 March 1994 the notes will carry an interest rate of 0.0275% per annum.

Chemical Bank
An Agent Bank

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN NIPPON FIRE & MARINE INSURANCE CO., LTD.

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Depository: Citibank, N.A., 333 Street, London WC2R 1HB
September 1, 1993

Agent: Citibank (Luxembourg) S.A., 18 Avenue Marie Thérèse, Luxembourg

Halifax Building Society
Floating Rate Loan Notes 1996

For the three month period from 31 August 1993 to 30 November 1993 the Notes will bear interest at the rate of 6 1/2% per cent. per annum.

The Coupon amounts will be £76.33 per £10,000 Note and £761.33 per £100,000 Note, payable on 30 November, 1993

Morgan Grenfell & Co. Limited
Agent Bank

Banque Indosuez
U.S. \$200,000,000
Floating Rate Notes due 1997

For the three months 31st August, 1993 to 30th November, 1993 the Notes will carry an interest rate of 3.5625% per annum and coupon amount of U.S. \$40.05 per U.S. \$10,000 Note, and U.S. \$2,151.30 per U.S. \$215,000 Note.

Lined on the Luxembourg Stock Exchange

Bankers-Trust
Company, London Agent Bank

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from Chart Analysis Ltd.
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Halifax Building Society
Floating Rate Loan Notes 1996

For the three month period from 31 August 1993 to 30 November 1993 the Notes will bear interest at the rate of 6 1/2% per cent. per annum.

The Coupon amounts will be £76.33 per £10,000 Note and £761.33 per £100,000 Note, payable on 30 November, 1993

Morgan Grenfell & Co. Limited
Agent Bank

Banque Indosuez
U.S. \$200,000,000
Floating Rate Notes due 1997

For the three months 31st August, 1993 to 30th November, 1993 the Notes will carry an interest rate of 3.5625% per annum and coupon amount of U.S. \$40.05 per U.S. \$10,000 Note, and U.S. \$2,151.30 per U.S. \$215,000 Note.

Lined on the Luxembourg Stock Exchange

Bankers-Trust
Company, London Agent Bank

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN NIPPON FIRE & MARINE INSURANCE CO., LTD.

EDR holders are informed of a dividend to holders of record date March 31, 1993. The cash dividend payable is Yen 5.5 per common stock of Yen 50.00 per share. EDR holders may now present Coupon No. 46 for payment to the undersigned agents.

Payment of the dividend with a 15% withholding tax is subject to receipt of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving benefit of the reduced withholding rate. Failing receipt of a valid affidavit, Japanese tax will be deducted at the rate of 20% of the gross dividend payable. The full rate of 20% will also be applied to any dividend claimed after October 31, 1993.

EDR	Gross Dividend	Dividend Payable	Dividend Payable less 15% Japanese withholding tax
1,000 shares	\$27.52	\$27.52	\$23.89

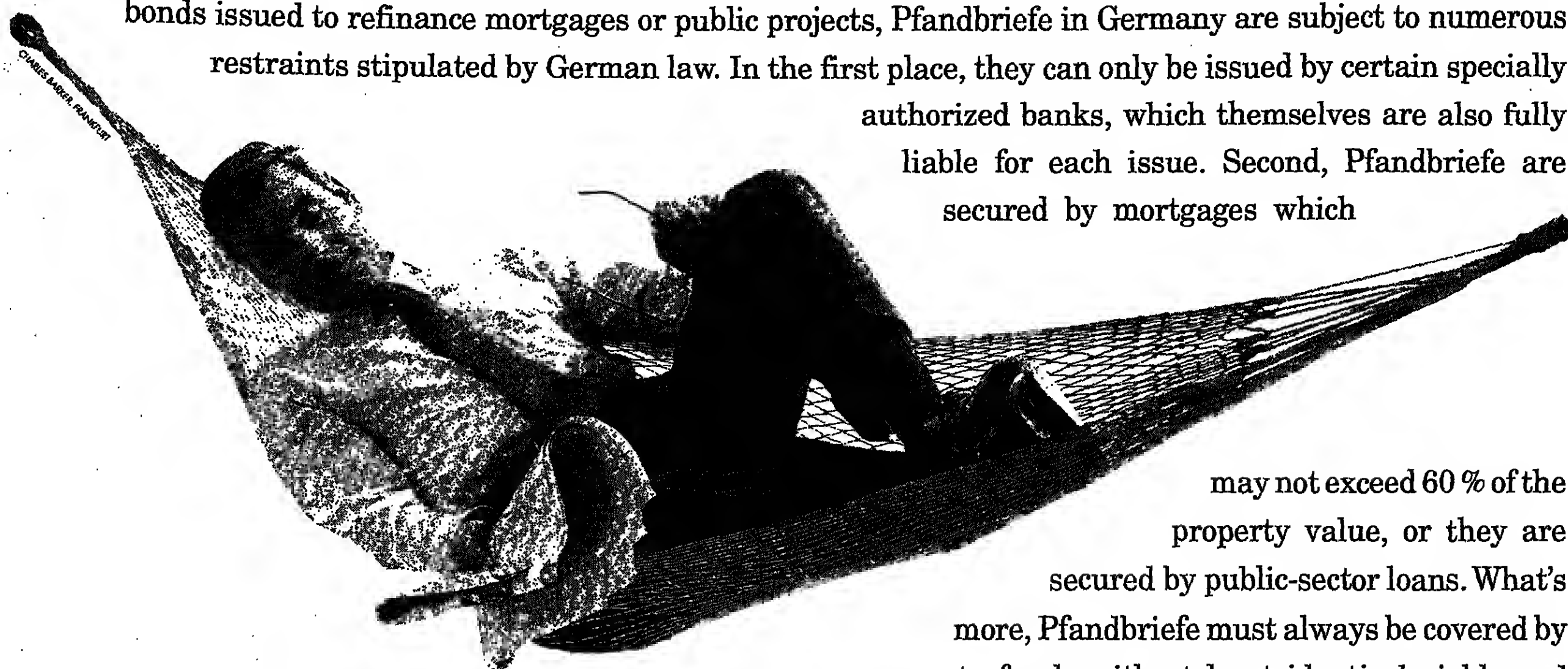
Depository: Citibank, N.A., 333 Street, London WC2R 1HB
September 1, 1993

Agent: Citibank (Luxembourg) S.A., 18 Avenue Marie Thérèse, Luxembourg

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This time-tested legal framework plus yields usually higher than on German Treasury bonds (Bunds) help explain why Pfandbriefe, at DM 832 billion at year-end 1992, amounted to about 40 % of all bonds outstanding in Germany. Of this total, Germany's 26 private mortgage banks accounted for DM 503 billion. So with German Pfandbriefe you don't have to relax your expectations.

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RHEINHYP, FRANKFURT
DEUTSCHE GENOSSENSCHAFTS-HYPOTHEKENBANK AG, HAMBURG
FRANKFURTER HYPOTHEKENBANK AG, FRANKFURT
DEUTSCHE CENTRALBODENKREDIT-AG, KÖLN
BAYERISCHE HANDELSBANK AG, MÜNCHEN

WESTHYP, DORTMUND
BERLIN HYP, BERLIN
SÜDDEUTSCHE BODENKREDITBANK AG, MÜNCHEN
MÜNCHENER HYPOTHEKENBANK AG, MÜNCHEN
HAMBURGHYP, HAMBURG
WÜRTTEMBERGER HYPO, STUTTGART
NÜRNBERGHYP, NÜRNBERG
HYPOTHEKENBANK IN ESSEN AG, ESSEN
DEUTSCHE HYPOTHEKENBANK (ACT.-GES.), HANNOVER

BRAUNSCHWEIG-HANNOVERSCHER
HYPOTHEKENBANK AG, HANNOVER
ALLGEMEINE HYPOTHEKENBANK AG, FRANKFURT
RHEINBODEN HYPOTHEKENBANK AG, KÖLN
LÜBECKER HYPOTHEKENBANK AG, LÜBECK
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BFG-HYPOTHEKENBANK AG, FRANKFURT
WL-BANK, MÜNSTER
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INTERNATIONAL COMPANIES AND FINANCE

Hongkong Bank advances 57% in first half

By Simon Davies
in Hong Kong

THE Hongkong and Shanghai Banking Corporation - the HSBC Holdings' wholly-owned subsidiary which controls its Asia Pacific activities - yesterday announced a 57 per cent increase in interim profit attributable to shareholders to HK\$4.37bn (US\$282m), up from HK\$2.78bn (US\$182m) in 1992.

Hongkong Bank registered strong earnings growth from its operations in Hong Kong, Singapore and Malaysia, but the figures were also boosted by a sharp reduction in provisions against bad debt.

During the first half of 1993, Hongkong Bank wrote off an estimated HK\$1.4bn against its exposure to the Olympia & York group, and this was followed by an estimated HK\$2.1bn provision against the Canadian property group in the second half of the year.

Hongkong Bank's chairman, Mr John Gray, described the outlook for the second half as "encouraging". He said: "The measures taken to correct over-heating in China's economy may mean slower growth for both China and Hong Kong in the short term, but long term they are likely to be beneficial."

At the interim stage, HSBC's Asia-Pacific operations accounted for 75 per cent of the group's pre-tax profit and 37

per cent of its assets.

Wardley Holdings, which operates the HSBC's Asian merchant banking and broking activities, achieved results significantly ahead of expectations as a result of a booming Hong Kong stock market and the volatility in international currency markets.

There was also a continued turnaround from Hongkong Bank of Australia, helped by the strength of its treasury and trade finance divisions.

In Hong Kong, the bank registered a substantial increase in trade finance as a result of continuing re-export growth from the neighbouring Chinese province of Guangdong.

The company's 61 per cent owned Hong Kong retail bank, Hang Seng Bank, announced a disappointing 17.5 per cent increase in interim profit in spite of hooking a HK\$25m profit from its sale of Wing On Bank. This reflected the tightening of net interest margins and increasing competition for deposits this sector has faced.

However, Hongkong Bank said its local operations had attracted strong loan demand. During the interim period, the bank registered a 13 per cent increase in loans compared with the first half of 1992. Analysts believe much of the growth came from Singapore and Malaysia, where the group achieved record profits.

See Lex

The Limited plans shake-up

By Frank McGurty in New York

THE LIMITED, the US clothing and toiletries retailer, will close or remodel as many as 350 of its Lerner New York and Limited women's clothing stores as part of a two-year restructuring programme.

The company, which operates 12 specialty store chains and a mail-order catalogue business, said that it would take a \$200m pre-tax charge against earnings this year after reassessing the carrying value of certain Lerner, Limited and Henri Bendel outlets. The pro-

vision would cover the cost of the closures, remodelling and asset revaluation.

The company also announced that it had completed the sale of a 60 per cent stake in its Brylcreme mail-order division to Freeman Spogli, a California merchant bank, for \$285m in cash. It said the disposal would result in a \$203m pre-tax gain. Some of the proceeds are to be used to accelerate the store closure and remodelling programme.

The company's refocus is expected to increase total employment, not reduce it.

Western Mining disciplines director

By Bruce Jacques in Sydney

THE BOARD of Western Mining Corporation, the Australian metals producer, has taken the rare step of publicly disciplining the company's managing director, Mr Hugh Morgan, over the loss of a mining lease earlier this year.

The disciplinary action was announced yesterday by Sir Arvi Parbo, WMC chairman, following an internal inquiry into the loss of the mining lease, known as Ernest Henry, which is expected to reduce the company's annual earnings by \$420m (US\$13.50m).

Sir Arvi's statement said that Mr Morgan, one of Australia's highest-profile businessmen, accepted managerial responsibility in the matter and would not be eligible for the company's senior officers' share plan for two years.

"Mr Morgan is further required to minimise his involvement in outside activities to enable him to concentrate on the implementation of the actions decided upon by the board," Sir Arvi said.

The announcement was viewed in Australia yesterday as a humiliating rebuff for Mr Morgan's strident management style and outspokenness on a range of issues including the mining industry's relationship with aborigines.

WMC lost the Ernest Henry lease to a small Australian mining company, Savage Resources. The lease is now almost certain to be developed into a copper mine by Savage and its new partner MIM Holdings, a mining rival to WMC.

The WMC board has also disciplined Mr C. N. Middleton, the exploration manager most directly responsible for the lost mining area, and two senior exploration executives, Mr D. N. Harley and Mr R. Woodall.

But the enquiry found that none of the company's officers behaved in a manner which required dismissal. The company has indicated that it would be making procedural changes, especially in its exploration division.

US banks stake out insurance battlefield

THE TINY outpost of Banks, Oregon (population 489), is an unlikely battleground for the struggle between US banks and insurers over whether banks should be allowed into the insurance business.

Yet this small town, wedged between the city of Portland and the Pacific Ocean, has been the setting for one of a series of convoluted legal actions which will ultimately determine whether banks can use their networks to sell insurance products around the country.

This Oregon town is home to one of the first nationwide insurance marketing efforts by a bank, the Portland-based US National Bank. Taking advantage of a legislative loophole which allows nationally chartered banks (as opposed to those organised under state laws) to sell insurance from towns with populations of less than 5,000, US National markets insurance products by direct mail throughout the US. Similar operations have sprung up in small towns all over the country as banks seek to expand the range of products

they sell to their customers.

A flurry of legal actions over such operations, brought by insurance agents eager to protect business, is currently winding its way through the federal court system. The right of US National to continue its operations in Banks was upheld in July by a federal appeals court in Washington. But the latest ruling of its kind, handed down by the federal appeals court in Houston, was a setback for the banking industry. This judgment, delivered against NationsBank, the North Carolina-based bank, could severely restrict the ability of banks to sell annuities, a business with bank sales put at \$15bn a year.

According to the Houston ruling, annuities - contracts which pay a set amount periodically to an investor for life in return for a single lump-sum payment - are a type of insurance contract, and so should be subject to the same rules as other insurance products. That runs counter to a ruling earlier this year by the Office of the Comptroller of the Currency, the arm of the US

Treasury charged with regulating nationally chartered banks. The OCC concluded that annuities were banking rather than insurance products, a view it continued to adhere to yesterday.

For banks which have grown accustomed to picking their way through the discrepancies between banking and insurance regulation and between federal and state legislation, such conflicts are nothing new.

"We've been in litigation for three years," says Mr Tom Brumley, president of the small Kentucky-based Owensboro National Bank, which has assets of just \$370m. Mr Brumley has been fighting the Kentucky insurance regulators over whether the bank can sell insurance products at all in the state. Echoing the ambitions of bankers around the country, he says he wants to use his existing network to sell more products to the 22,000 households which comprise the bank's customer base.

Kentucky law forbids bank employees from selling insurance. The question

now, to be decided in the federal appeals court in Cincinnati, is whether such state legislation has primacy over federal law, or whether Mr Brumley's bank can enter the insurance business.

Complicating the picture for the banks has been a lack of clarity in some of the rulings so far. The Washington judgment found that banks could sell insurance from small towns - apparently leaving it open to banks with insurance operations headquartered in such places to use any method to sell insurance anywhere in the US, including through their existing bank branch network. Last week's ruling in Houston, however, appeared to limit banks to selling insurance only in small towns.

Bankers hope that such discrepancies will eventually be ironed out in the supreme court. Given the vested interest involved, most hold out little hope that Congress will attempt to clarify the issue with new legislation, a route recommended by the Washington court.

Richard Waters

NEWS DIGEST

Bell Canada review after rates setback

BELL CANADA, the eastern Canada telecommunications utility and main income contributor to BCE, Canada's biggest telecommunications group, says it will make a sweeping review of its business after losing a bid to raise local telephone rates by an average of 10 per cent, writes Robert Gibbons in Montreal.

Bell argued before the Canadian Radio-Television and Telecommunications Commission that it needed \$335m (US\$238m) more revenues in 1993 and \$520m in 1994 to maintain a reasonable return and offset revenues lost to long distance competition. For many years long distance rates have subsidised local rates.

But the CRTC, the federal regulator, said Bell did not need the increases to retain "financial integrity". It reduced the company's allowable rate of return to 11 to 12 per cent from 12.5 to 13.5 per cent sought by Bell.

strong earnings performance in the year to June, achieved despite modest sales growth, writes Bruce Jacques.

The company's 49 per cent controlled by BHP, yesterday reported a 66 per cent net increase in earnings to A\$43.3m (US\$28.9m) from A\$26.3m on a 3 per cent sales rise to A\$1.18bn from A\$1.13bn.

The result followed tax provisions of A\$23.3m, against A\$13.7m, and depreciation of A\$22.2m, against A\$31.2m. Interest expenses fell marginally to A\$14.8m from A\$15.6m.

Visa president quits

THE PRESIDENT and chief executive officer of Visa USA, Mr Robert Heller, has resigned, saying he would pursue other interests, AP-DJ reports from San Francisco.

Mr Heller, aged 53, joined Visa in 1989 and was named president in 1991.

Mr Carl Pascarella, 50, president of the company's Asia Pacific division, succeeds Mr Heller.

Visa is the world's largest credit card company.

Citibank alters HQ

CITIBANK, the US banking group, has moved its China headquarters from Hong Kong to Shanghai to strengthen its presence in the expanding Chinese market, writes Tony Walker in Beijing.

Mr C. P. Cheng, of Citibank's

corporate office in Shanghai, said the re-location would help "speed-up" the bank's efforts to promote its China business.

Citibank, with 36 employees in Shanghai, is focusing on its corporate business, and is also active in trade financing.

Another focus of the bank's activities is to assist in the technical development of the local stock exchange.

Citibank, which is the sole cash settlement bank for B share trading on the Shanghai Securities Exchange, has been appointed adviser to the exchange's Central Clearing and Registration office.

China lifted a ban on foreign financial institutions in 1979. Since then over 130 representative offices and 90 bank branches have set up in China.

Westinghouse move

SIRMENS, the German high technology group, has waived its right to buy Westinghouse Electric's distribution and control business, clearing the way for the US company to sell the division to Eaton Corp for \$1.1bn, writes Martin Dickson in New York.

Eaton, which is based in Cleveland, Ohio, agreed to buy the division on August 11 but the sale was subject to Siemens' right of first refusal, which the German company gained under a 1989 contract. Disposal of the unit is part of a restructuring plan to cut Westinghouse's debt.

NEC supplies notebook PCs to NCR for US sale

By Michio Nakamoto
in Tokyo

NEC, the Japanese electronics company, is supplying NCR of the US with notebook PCs for sale in the US under NCR's name.

The deal calls for NEC to supply NCR, the computer subsidiary of AT&T, with IBM-compatible colour notebook PCs for one year initially.

It will further tie the ties between NEC and AT&T, which are already co-operating

in the telecommunications and semiconductor fields. For example, NEC is the second source for AT&T's Hobbit semiconductor chips.

The Japanese company expects shipments of its colour notebooks to NCR to be more than 20,000 a year.

The colour notebooks to be supplied by NEC use TFT-liquid crystal displays and are all manufactured in Japan. NEC launched the notebook in the US under its own brand in April.

Board changes at Gencor

By Philip Gawth
in Johannesburg

GENCOR, the South African mining house, has announced various changes to the board of directors which will take effect after it unbinds its industrial interests in November.

Three of the existing directors will leave the board, and four new appointments have been announced. The most significant of these is the appointment of Mr Mick Davis, currently executive director (finance and services) of Eskom, the national electricity utility. Mr Davis will join Gencor in January as executive

director, finance. In due course he will take over as chairman of Trans-Natal, the coal company in the Gencor stable.

Leaving the board are Mr Tom de Beer, Mr Eugene van As and Mr Jaco Fouché. The first two were on the board in their capacities as chairmen respectively of Genbel and Sappi, two of the companies that are being unbundled.

Mr Grant Thomas and Mr Rob Angel, respectively chief executives of Malbank and Engen, will be staying on the Gencor board as non-executive directors, despite their groups ceasing to be under Gencor control after the unbundling.

This announcement appears as a matter of record only



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Albérini & C.S.I.M. (Milan) 010 392 724 51	Société Générale Alsacienne de Banque (Sogelal - Zurich) 010 411 220 7111

August 1993

NOTICE OF REDEMPTION

MORTGAGE FUNDING CORPORATION NO. 3 PLC

Class C-1 Mortgage Backed Floating Rate Notes Due October 2023
and
Class C-2 Mortgage Backed Floating Rate Notes Due October 2023

NOTICE IS HEREBY GIVEN to Bankers Trust Company Limited (the "Trustee") and to the holders of the Class C-1 Mortgage Backed Floating Rate Notes Due October 2023 (the "Class C-1 Notes") and to the holders of the Class C-2 Mortgage Backed Floating Rate Notes Due October 2023 (the "Class C-2 Notes") of Mortgage Funding Corporation No. 3 PLC (the "Issuer") that, pursuant to the Trust Deed dated 21st October, 1988 (the "Trust Deed") between the Issuer and the Trustee, and the Agency Agreement dated 21st October, 1988 (the "Agency Agreement") between the Issuer and Morgan Guaranty Trust Company of New York (the "Principal Paying Agent") and others, the Issuer has determined that in accordance with Condition 6(d) of the Terms and Conditions of the Class C-1 Notes and the Class C-2 Notes, all outstanding Class C-1 Notes and the Class C-2 Notes will be redeemed on 1st October, 1993 (the "Redemption Date") at their principal amount.

The Class C-1 Notes and the Class C-2 Notes may be surrendered for redemption at the specified office of any of the Paying Agents, which are as follows:

Morgan Guaranty Trust Company of New York PO Box 161, 60 Victoria Embankment London EC4Y 0JP	Morgan Guaranty Trust Company of New York Avenue des Arts 35, B-1040 Brussels, Belgium
Union de Banques Suisses (Luxembourg) S.A. 36-38 Grand-rue L-2011 Luxembourg	Morgan Guaranty Trust Company of New York 55 Exchange Place, Basement A New York, New York 10250-0023 Attn: Corporate Trust Operations

In respect of Bearer Class C-1 Notes and the Class C-2 Notes, the principal amount of such Notes will be paid upon presentation and surrender, on or after the Redemption Date, of such Notes together with all uncoupons and coupons appertaining thereto. Such payment will be made (i) in sterling at the specified office of the Paying Agent in London or (ii) at the specified office of the Paying Agent listed above by sterling cheque drawn on, or at the option of the holder by transfer to a sterling account maintained by the payee with, a Town Clearing branch of a bank in London. Payment in respect of each Registered Class C-1 Note will be made by sterling cheque drawn on a Town Clearing branch of a bank in London in favour of the holder (or joint holders) of such Class C-1 Note and sent by mail (air mail if overseas) (at the risk of the holder or joint holders of such Class C-1 Note) by the Registrar to the person in whose name such a Class C-1 Note is registered (or the first-named of joint holders) at the close of business on the day which is the fifteenth business day (as defined in Condition 2(h) of the Class C-1 Notes) next preceding the due date for payment at his address appearing in the Registrar but (in the case of payments of principal) only against surrender of such Registered Class C-1 Note at the specified office of any Paying Agent.

MORTGAGE FUNDING CORPORATION NO. 3 PLC

By: Morgan Guaranty Trust Company
as Principal Paying Agent
Dated: 1st September, 1993

NOTICE

Withholding of 31% of gross redemption proceeds of any payment made within the United States is required by the Internal Revenue Code of 1986, and amended by the Energy Policy Act of 1992, unless the paying agency has the correct taxpayer identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent if presenting your Class C-1 Notes and the Class C-2 Notes to the paying agency's New York Office.

Voyager Securities Limited

(Incorporated with limited liability in the Cayman Islands)

U.S. \$100,000,000
Secured Floating Rate
Notes due 1992-1996

For the Interest Period 31st August, 1993 to 30th November, 1993 the Notes will carry an interest rate of 4.45% per annum with interest amounts of U.S. \$4,445 and U.S. \$2,109.11 for Notes with original principal amounts of U.S. \$100,000 and U.S. \$250,000 respectively payable on 30th November, 1993.

By: Bankers Trust Company, London Agent Bank

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS IN

EDR holders are informed of a dividend of record date March 31, 1993. The cash dividend payable is Yen 3.5 per common share of Yen 50.00 per share. EDR holders may now present Coupon No. 51 for payment to the undersigned agent.

Payment of the dividend with a 10% withholding tax is subject to receipt of a valid affidavit of residence in a country having a tax treaty or agreement with Japan giving benefit of the reduced withholding rate. Failing receipt of a valid affidavit, the dividend will be paid at the rate of 20% in the gross dividend payable. The full rate of 20% will also be applied to any dividend claimed after October 31, 1993.

CDR Denomination 1,000 shares	Gross Dividend \$32.40	Dividend Payable Net 10% Japanese withholding tax \$28.76	Dividend Payable Net 20% Japanese withholding tax \$25.92
-------------------------------------	------------------------------	--------------------------------------------------------------------	--------------------------------------------------------------------

Depository: Citibank N.A.
260 Broadway
London WC2R 1HS
September 1, 1993

Agent: Citibank
(Luxembourg) S.A.
16 Avenue de la Liberté
Luxembourg

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(Incorporated with limited liability in the State of Western Australia)

Guaranteed Floating Rate Notes Due 1994

unconditionally guaranteed by
The Treasurer of the State of Western Australia
(under Section 33 of the R&I Bank Act 1990)

For the interest period from September 1, 1993 to March 1, 1994 the rate has been determined at 3% per annum. The amount payable on March 1, 1994 per U.S. \$10,000 and U.S. \$250,000 principal amount of Notes will be U.S. \$175.97 and U.S. \$4,399.51 respectively.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank

September 1, 1993

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£150,000,000
Floating Rate Notes
Due 1994

to accordance with the terms and conditions of the Notes, notice is hereby given that for the three month interest period from (including) 31st August 1993 to (but excluding) 30th November 1993, the Notes will carry a rate of interest of 6% per cent. per annum.

The relevant interest payment date will be 30th November 1993. The coupon amount per £10,000 will be £51.15 payable against surrender of Coupon No. 31.

Hambros Bank Limited
Agent Bank

MANUFACTURERS HANOVER TRUST COMPANY

£275,000,000
Floating Rate Notes Due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the interest period from 31st August 1993 to 30th November 1993 has been fixed at 4% per cent. per annum.

The Coupon Amounts will be £70.35 for the £50,000 denomination and £175.88 for the £250,000 denomination and will be payable on 30 November 1993 against surrender of Coupon No. 31.

Hambros Bank Limited
Agent Bank

ECU 200,000,000

Caisse Française de Développement

For the period from August 21, 1993 to November 30, 1993 the Notes will carry an interest rate of 7.5658% per annum with an interest amount of ECU 150.77 per ECU 100,000 Note.

The relevant interest payment date will be November 30, 1993.

Agent Bank:
Banque Paribas Luxembourg
Société Anonyme

Prices for delivery determined by the following table, the delivery and settlement of the Notes will be made by the Agent Bank.

Interest Period From To Price per £10,000 of Notes

09/09/93 30/11/93 51.15

10/09/93 30/11/93 51.15

11/09/93 30/11/93 51.15

12/09/93 30/11/93 51.15

13/09/93 30/11/93 51.15

14/09/93 30/11/93 51.15

15/09/93 30/11/93 51.15

16/09/93 30/11/93 51.15

17/09/93 30/11/93 51.15

18/09/93 30/11/93 51.15

19/09/93 30/11/93 51.15

20/09/93 30/11/93 51.15

21/09/93 30/11/93 51.15

22/09/93 30/11/93 51.15

23/09/93 30/11/93 51.15

24/09/93 30/11/93 51.15

25/09/93 30/11/93 51.15

26/09/93 30/11/93 51.15

27/09/93 30/11/93 51.15

28/09/93 30/11/93 51.15

29/09/93 30/11/93 51.15

30/09/93 30/11/93 51.15

01/10/93 30/11/93 51.15

02/10/93 30/11/93 51.15

03/10/93 30/11/93 51.15

04/10/93 30/11/93 51.15

05/10/93 30/11/93 51.15

06/10/93 30/11/93 51.15

07/10/93 30/11/93 51.15

08/10/93 30/11/93 51.15

09/10/93 30/11/93 51.15

10/10/93 30/11/93 51.15

INTERNATIONAL CAPITAL MARKETS

High-yielding countries show surprising strength

By Peter John in London and Patrick Harverson in New York

EXPECTATIONS that the European government bond rally might be losing momentum proved premature yesterday as prices rose again on this summer buying, sending yields to new lows.

Spanish benchmark bond returns broke through 9 per cent while UK gilt yields approached 7 per cent and French 10-year returns hovered above 6 per cent, some 4 basis points below their German equivalent.

GOVERNMENT BONDS

It was among high yielding markets that the strength was most surprising. A week ago, Spanish yields were around 9.4 per cent. The 10.3 per cent coupon maturing in June 2002 rose two points yesterday, sending the yield down to 8.99 per cent.

The Italian market was slightly overshadowed by a 13.500bn seven-year CCT auction on Monday which failed to fulfil market forecasts. There are more auctions this week, with offers of three-year, five-

year and 10-year paper adding a further 18,500bn of supply.

Nevertheless, yesterday saw 10-year futures traded in London open 1.25 points higher from Friday's close, catching up with mainland Europe's gains after the UK's Monday bond holiday. The September contract traded closed at 114.55, a net gain of 80 basis points.

Portugal, the third member of the so-called olive belt markets, saw 10-year yields fall to 9.5 per cent as Spanish investors bought in the neighbouring market for the advantage of the nominal yield.

LONG-DATED UK gilts rose sharply, confounding many economists who argued that the fundamental economic factors that have driven the market are more than discounted.

The ultra-long end of the yield curve was squeezed ½ point higher as overseas investors sought to buy while domestic institutions remained sceptical of further gains but were unprepared to sell.

RENEWED strength in French government bonds provided an opportunity for two sizeable Eurobond issues.

FT FIXED INTEREST INDICES

	Year					High *	Low *
	Aug 31	Aug 27	Aug 26	Aug 25	Aug 24		
Real Estate	102.49	102.18	101.45	101.63	101.51	87.83	102.49
Total Income	124.51	124.03	123.93	123.96	123.97	102.09	130.27
Percent 100 Government Securities	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Percent 100 Government Securities	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Filled	100.00	100.00	100.00	100.00	100.00	100.00	100.00
Filled	100.00	100.00	100.00	100.00	100.00	100.00	100.00

GILT EDGED ACTIVITY						
Indicator	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22
50% Edged	61.5	67.8	67.6	63.2	62.2	62.2
50% Edged	61.5	67.8	67.6	63.2	62.2	62.2
50% Edged	61.5	67.8	67.6	63.2	62.2	62.2

COMPANY NEWS: UK

Cookson builds laminates side in Europe

By Paul Taylor

COOKSON GROUP, the specialist industrial materials company, is strengthening its position as a supplier to the printed circuit board industry by making its second related acquisition in a week.

The group, which has been refocusing on four core divisions, and will announce interim results tomorrow, is acquiring the European electronic laminates business of Perstorp, a quoted Swedish company, for over £11m.

Cookson announced plans last week to buy Brent Electronic Chemicals for £24m in cash and assets. BEC is a division of Brent Chemicals International which supplies specialty chemicals, solders, fluxes and other materials to the PCB industry.

Perstorp is the second largest supplier of electronic laminates in Europe with sales last year of £35m. The acquisition will substantially strengthen the position of Cookson's existing subsidiary, Polycold Laminates, which is the market

leader in the US in high performance multi-layer laminates and has growing sales in the Far East market.

Perstorp produces a similar range of multi-layer materials and mass lamination products used in sophisticated electronics manufacturing, from highly automated plants in Perstorp, Sweden and Nantes, France.

Mr Richard Oster, Cookson's chief executive, said, "this acquisition will give us a significant, well established position in the European market for multi-layer laminates. It will also give us management and technology, all of which will further enhance our position worldwide."

Under the terms of the purchase agreement Cookson will initially acquire 90 per cent of the group's Swedish operations and all of the French operations for £11.1m.

In addition the agreement includes an earn-out arrangement whereby profits in excess of a 20 per cent return on Cookson's investment will be shared on a 50:50 basis over a three year period.

BM to float Austoft arm on Australian SE

By David Blackwell

BM GROUP, the engineering company currently undergoing a programme of disposals and debt reduction, is to float its Austoft Holdings subsidiary on the Australian stock exchange.

The sale will raise A\$36m (£16m). Austoft, which makes sugar cane and harvesting machinery, will also waive net loans due from BM of A\$11m.

Mr Howard Sutton, BM chief executive, said the group was taking advantage of the improvement in the Australian stock market.

The net effect of the sale would be to reduce net borrowings by about A\$30m.

BM has borrowings in excess of £100m and has had its bank

ing facilities extended until next Monday. Earlier this month it announced the sale of BM Plant and Talbot Diesels, its UK distribution businesses, to a management team.

The company said yesterday that discussions were progressing satisfactorily with its bankers on longer term financing arrangements.

The sale of BM's 75 per cent stake in British Building & Engineering Appliances remains on schedule for the autumn, as do plans to dispose of its remaining construction equipment distribution business.

BM paid A\$30m for Austoft and Mustang of the US, which it retains, in 1989. Austoft made pre-tax profits of A\$7.5m for the year to end-June, when net assets stood at A\$32.6m.

Triton Europe losses at £50m

By Deborah Hargreaves

TRITON Europe, the UK arm of the US independent oil and gas company, incurred a loss of £50m for the year to May 31, following a £41m write-down of the value of its oil and gas properties. There was a comparable loss for the previous year of £700,000.

The company has changed the status of reserves held on its books after an annual evaluation. All oil and gas prospects classified previously as "proved, undeveloped", are now cited as "probable", making them less valuable.

Mr David Jones, company secretary, said the change was the result of current economic conditions which made it less likely the oil would be exploited.

It mainly concerns the Paris basin holdings, which have seen £37m knocked off their value since Total, the French oil group which operates the fields, decided it did not want to spend any more money to develop the reserves in the current climate.

Triton has restructured its exploration and production activities over the past year, cutting its staff by 75 per cent from about 60 in January to 15. Restructuring costs reached £990,000 and were included in the total write-down figure.

The company said, however, that its cash position remained strong with a balance of £6m and credit facilities of £30m. After-tax losses reached £24.4m, against profits of £3.9m, for losses of 41.7p per share (earnings of 4.7p).

Mr Jones said Triton was restructuring its exploration programme to go for higher risk-higher reward prospects such as its US parent had found in Colombia where it was involved with British Petroleum in the Cusiana development, which was believed to contain more than 1bn barrels of oil.

The company said its move to exploration in Italy should provide a solid base for further expansion. It drilled its first well this year in the southern Apennines.

Future growth is virtually certain

Gary Mead reports on the plans of W Industries, developer of virtual reality systems

STRAP ON three kilos of headgear in a few upmarket amusement arcades and you can experience a crude form of virtual reality, an electronic simulation of events.

But the race is on among a handful of companies around the world to develop the next generation of equipment. This will not only be much smaller and lighter but offer a big step up from a two-dimensional screen into "immersive virtual reality" through which users will be able to participate in the electronic world.

Bringing these sophisticated toys to consumers - particularly for use at home - will create a large new sector in the global electronic games market.

Some US virtual reality analysts estimate that the VR market as a whole will be worth \$500m (£340m) within four years.

To help fund such expensive development, W Industries, a small UK company with a leading technological edge in virtual reality, is planning to announce today its intention to float on the London Stock Exchange later this year and to change its name to Virtuality Group. Analysts believe the flotation could raise £10m.

W Industries was founded by Mr Jonathan Waldern in 1988, following his academic research in advanced computing programmes. By 1990 his company had developed the

world's first fully integrated virtual reality system.

Backed by Apex Partners, the venture capital company, its revenues have moved from £103,000 in 1990 to £524m at the end of 1992. It has now sold more than 350 of its virtual reality systems in 19 different countries and is currently selling 30 units, at a retail price of between £22,000 and £32,000 (plus VAT), each month.

Apex currently has about 67 per cent of the shares and the management 33 per cent fully diluted, Apex having acquired its holding from Wemhley Leisure. Mr Waldern holds about 15 per cent of the company.

Mr David Payne, W Industries' chairman, says: "Apex provided stable, committed shareholding. Even at this stage Apex are not exiting, they are staying in."

Apex has so far seen no return because W Industries has not yet paid any dividend. "We don't plan to pay dividends in the short term because we want to preserve our profits and inject them back into the business," says Mr Payne.

The purpose of the float, according to Mr Payne, "is that we have an enormous amount of intellectual property in the business. We believe that virtual reality has a very explosive future ahead of it and we can't continue to develop and package our intellectual property either fast enough or in such a way that it is market-



Jon Waldern: units sell at between £22,000 and £32,000 each

able out of the cash we are currently generating.

"If we go in fast and do the right deals now with the big electronics firms who recognise that we have some of the core intellectual property, there is a chance that we may achieve the holy grail, which is to get some of what we do accepted as the industry standard."

W Industries has made a

electronics companies this year, returning pre-tax profits of £342m, up 64 per cent on the previous year. The electronic arcade business is reckoned to be growing at 18 per cent annually and is currently worth some £8bn a year worldwide.

Mr Waldern, W Industries' managing director, has a vision which he believes will keep his company a global leader in this young but dynamic market.

He wants the world of electronics games to move away from being something solely for young boys, seen as a rather anti-social activity, into a family-based entertainment, where parents and children interact in playing the games.

He believes that interactive immersive virtual reality, as a leisure vehicle, has so far just skimmed the surface of what is possible.

Future growth will lie partly in technological innovation and partly in intelligent marketing. If the technology supporting the current, relatively crude graphics, with large cumbersome machines fixed in arcades, can be adapted and transformed into a lightweight game easily installed in the front parlour, and with graphical capacities far advanced from today's possibilities, then W Industries could be on to a winner.

"Anybody can do this stuff on an expensive machine. But to be really successful, it's got to be cheap."

Starmin seeks reappointment

By Catherine Milton

STARMIN, the quarry products company chaired by Lord Parkinson, the former Conservative Party minister, will seek shareholders' permission to reappoint a director who resigned as an executive a month before it emerged that pre-tax losses had been understated by millions of pounds.

The company's 1993 report and accounts includes a resolution to be put to the annual meeting for the reappointment of Mr Raschid Abdullah, now a non-executive director who, with his brother Osman, relinquished executive responsibilities

in July when a review of the company's accounting policies was announced. The two, who earlier built up the Evedred aggregates company, had run Starmin since 1989.

Under the company's articles, Mr Raschid Abdullah must secure the approval of the company's AGM on September 21, to remain a non-executive director.

The review, completed in August, showed that instead of pre-tax losses of £3,000m, losses totalled £11.8m in 1992. Turnover should have been reported as £18.7m rather than £20.1m and losses per share 3.6p instead of 2.5p. A separate

Severfield-Reeve swings back into the black

By Catherine Milton

A BETTER balance between demand and supply for structural steel helped Severfield-Reeve report a turnaround from pre-tax losses of £398,000 to profits of £210,000 for the six months to June 30 and to pay its first dividend in two years.

Earnings per share were 1.22p (losses of 2.65p) and the interim dividend is 0.25p. On current trading, directors believe they will recommend a final dividend.

Mr John Reeve, chairman of the USM-quoted steel group, warned trading conditions remained tough, but added: "Over the last two or three years, we have seen upwards of 150 companies ceasing trading or going into receivership in our sector. We are seeing far more of a balance between supply and demand which reduces pressure on margins."

He said demand had increased slightly on last year's 800,000 tonnes, compared with 1.4m tonnes in 1989.

Turnover improved to £9.33m

(£8.66m), mainly reflecting a price increase from £830 to £700 per tonne of steel, in turn largely a function of price increases by British Steel. The company said there were some volume gains.

Gearing fell to 43 per cent (53 per cent) and has halved since the December year end. The fall followed a £1.55m spring rights issue which diluted directors' holdings from 70 per cent to 46 per cent. The company generated cash of about £200,000.

Net interest charges increased to £225,000 (£173,000) reflecting higher overdraft rates.

The company has orders worth £5.5m (£4m) with further tenders outstanding. It plans to export to the Far East and the Middle East.

Within the last two weeks it secured the contract for a headquarters building for Scotland's Daily Record newspaper, worth £1.8m.

In August, the company spent £400,000 on "nearly new" computer numeric controlled plant at an estimated 25 per cent of market prices.

HSBC Holdings plc 1993 interim results

Half year to	30 June 1993	30 June 1992
Profit before tax	£1,177m	£521m
Profit attributable		
to shareholders	£831m	£341m
Earnings per share	33.12p	20.97p
Dividends per share	7.00p	4.80p
Capital resources	£14,755m	£6,970m

"The performance of most members of the Group has been good. Our business in Hong Kong and in much of the rest of Asia has continued to benefit from strong economic growth in the region. Business conditions in the UK and US have been more difficult, but we are making progress."

The integration of Midland into the HSBC Group has proceeded satisfactorily. In the year since the acquisition, we have achieved synergy benefits, as anticipated, from both cost reductions and increased revenues. There is still much to be done, however, to ensure that our shareholders receive the full benefits of the merger.

The outlook for the world economy in the rest of 1993 is mixed. The recovery in the UK, US and Japan is expected to be slow and Europe remains in recession. Economic growth in much of Asia, however, is robust. Although in the short term the measures taken to reduce overheating in China's economy may have some impact on Hong Kong, it is likely to be modest. The longer term outlook for both Hong Kong and China remains good.

I regard the Group results for the first half of 1993 as encouraging and look forward with confidence to a satisfactory outcome for the year as a whole."

William Purves
Sir William Purves, Group Chairman

First half 1993 over first half 1992 (which excluded Midland Bank):

- Pre-tax profit up 126% and attributable profit up 144%
- Pre-tax profit up 79% and attributable profit up 93% in Hong Kong dollars
- Earnings per share up 58%
- Total capital ratio 12.9% and tier 1 ratio 7.5%

The 1991 Interim Report will be sent to shareholders on Friday, 10 September 1993 and copies may be obtained from Group Public Affairs at the address below.

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Short Bros lifts operating profit despite sales fall

By Our Belfast Correspondent

SHORT BROTHERS, the Belfast-based aircraft and missiles manufacturer, yesterday reported a £5m rise in operating profits to over £21m for the year ending January 31.

However, general recession in the aerospace industry took its toll on sales which fell by £11m to just over £381m.

Short, Northern Ireland's largest private employer, was bought by Bombardier, the Canadian transport group, in October 1989.

£200m equipment and plant modernisation programme is under way, with £134m spent to date.

Mr Laurent Beaudoin, chairman, said the business environment in both aerospace and defence was likely to "remain difficult" for at least the next 12 months.

He added: "A programme of cutbacks by Short's major customers and reductions in defence budgets have left us with no option but to reduce the Short's workforce significantly."

John numbers fell from 9,892 to 8,797 at January 31 and so far this year there have been a further 645 redundancies.

British Gas

Notice to Holders of Listed Debt Securities of British Gas public limited company and British Gas International Finance BV

Notice is hereby given to all holders of listed debt securities of British Gas public limited company and/or British Gas International Finance BV ("Holders") that British Gas public limited company has sent to its shareholders a Circular dated 19th August, 1993 in relation to the Reports of the Monopolies and Mergers Commission and the estimate of half-year results. Holders may obtain copies of the said Circular from the offices of the paying agents for the debt securities.

1st September, 1993
British Gas public limited company



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Data source: "EPRS 1993"

FT SURVEYS

COMPANY NEWS: UK

Strong performance prompts resumption of dividend payments

Astec (BSR) doubles to £4.33m

By Paul Taylor

ASTEC (BSR), the Hong Kong-based and London-listed electronics company which is 48.9 per cent owned by Emerson Electric of the US, is resuming dividend payments for the first time in three years following a doubling of pre-tax profits and earnings per share in the first half.

Pre-tax profits for the six months to June 27 jumped from \$2.17m to \$4.33m, boosted, said Mr Brian Christopher, chairman, by higher sales, a profits turnaround in the slimmed-down electronic components division and lower interest payments.

Sales increased by 9.6 per cent to \$136.4m (\$124.4m). On a comparable basis, adjusting for exchange rate differences and operations sold or closed in 1992, sales grew by 8.3 per cent.

The group, which has achieved a steady improvement in performance over the past 18 months, reported increased earnings per share of 1.2p (0.6p).

It is paying an interim dividend of 0.25p, the first distribu-



Brian Christopher, turnaround in electronic components division

tion since a 0.7p interim in 1990.

Mr George Tamke, chief executive, said the results reflected the company's strong underlying financial performance, including growing mar-

rates the increase was a more modest 2.6 per cent.

Operating profits in the division increased to \$2.5m (\$2.6m) but margins fell to 3.6 per cent (4.2 per cent) reflecting the non-recurring start-up costs of a new modular production line and the group's second plant in China.

Excluding these start-up costs, Mr Tamke said operating margins grew by a percentage point.

Electronic components sales declined to \$28.4m (\$41.3m) reflecting the reorganisation of the operations which now solely comprise Beckman Industrial. However, the components business reported an operating profit of \$712,000, or 2.5 per cent of sales, compared with a loss of \$354,000, and is now expected to resume growth.

The group generated a positive cash flow of \$13.1m in the first half which enabled it to eliminate borrowings and end the period with \$300,000 net cash.

As a result of this and lower interest rates net interest payable fell from \$977,000 to \$240,000.

Owen & Robinson cuts losses to £1.66m

By Nigel Clark

OWEN & Robinson, the Basildon-based jewellery and sports footwear retailer, cut its interim pre-tax losses from \$2.44m to \$1.66m. The company credited an increase in gross margins and a reduction in shop costs and central overheads.

The company also announced the departure of Mr Mike Smith, finance director, "to pursue other career opportunities".

Turnover in the six months to July 31 for the company, which underwent a capital reconstruction during the period, fell 20 per cent to \$8.21m (\$10.2m).

Mr Neil Thomas, chairman, said in line with other retailers in the sector sales volumes had been disappointing. However, taking into account shop closures, the fall was 14 per cent.

The Gold Centre jewellery side was trading in line with budget following cost cuts and increased margins. The Footbold sports shoe retailer recorded a small trading profit.

On prospects Mr Thomas said that although signs of economic recovery were random and inconsistent, Footbold had recently shown a significant improvement in sales. The pre-tax result was helped by lower interest charges of \$246,000 (\$405,000) and the lack of exceptional costs against \$300,000.

Losses per share fell from 31.08p to 13.94p taking into account shares issued for the placing and open offer and the conversion of bank debt and loan notes.

The conversion of A preference shares and convertible preference shares was deemed to have applied throughout the period. The comparative figure was adjusted for the preference conversion and the 1-for-20 consolidation of ordinary shares.

Fraser extends Gibbons offer

Mr Paul Fraser has received acceptances in respect of his offer for Stanley Gibbons Holdings, the stamp dealer, of 458,200 shares, or 3.51 per cent of the issued share capital.

He now holds or has acceptances totalling 6.27m shares, representing 48 per cent of the issued capital. The offer has been extended until September 13.

Lofs shows improvement to \$1.16m for first quarter

London & Overseas Freighters, the Bermuda-based shipping group whose ultimate holding company is Inroquois Shipping Corporation of Liberia, reported pre-tax profits of \$1.16m (\$780,000) for the three months ended June 30 1993.

The result marked an improvement on the \$1m for the six months to September 30 and reflected increased freight rates on the London Spirit and London Victory.

In the six month period the London Spirit was being overhauled and was unavailable for hire.

Operating costs were reduced following the acquisition of the London Enterprise.

Directors said that on July 15 the newly-built tanker, London Pride, was delivered and began trading under the five-year charter to Chevron.

The benefits would show through in future results, they said, but would be tempered by the loans to finance her.

Freight and hire revenue totalled \$4.36m (\$5.8m for six months). Earnings per share came through at 3.3p (4.4p) basic and 3.1p (4p) fully diluted.

Pre-tax profits for the year to March 1993 were \$1.86m.

Stakis in £10.5m casinos buy

STAKIS, the hotels and casinos group, has acquired three casinos from the privately-owned Rubicon Group for £10.5m.

The casinos are in Northampton, Wolverhampton and Coventry, and bring the company's casino portfolio to 21.

Stakis has paid \$7m cash and issued loan notes worth \$3.5m at 0.75 per cent above Libor repayable in 2003.

Under the deal, Stakis has acquired all the share capital of Victoria Casinos, the holding company, debt-free for \$6.8m. Victoria will repay third party and inter-company debt of \$3.7m.

Stakis currently operates two casinos in London and 16 in the province, where it said the gambling business is more consistent and less volatile than in London.

London Finance net assets increase

Net asset value per share of London Finance & Investment Group, the investment finance and management concern, expanded to 31.83p as at June

Stakis in £10.5m casinos buy

30, compared with 19.77p a year earlier and 20p at December 31 1992.

After tax of £40,000 against £58,000, available profit amounted to £78,000 for the six months to end-June, compared with losses of £98,000.

Earnings per share were 0.32p (0.4p losses).

As at August 28 the market value of fixed and current asset listed investments was £7.97m.

Throgmorton 1000 net assets ahead

Throgmorton 1000 Smallest Companies Trust, which came to the market in July last year, reported a net asset value of 118.4p per share at the end of June.

Assuming exercise of warrants the figure was 115.2p.

Directors said the undiluted net asset value had improved to 118.2p by July 31.

Attributable revenue for the 64 weeks amounted to £1.08m, equivalent to earnings of 3.29p per share.

A dividend of 2.5p is recommended.

Community Hospitals buys

Community Hospitals has contracted to acquire a further

All-round growth helps Macfarlane rise 18%

By John Murrell

WITH EACH of its three divisions contributing improved results Macfarlane Group (Glasgow) was able to lift profits from \$4.55m to \$5.35m pre-tax for the six months to June 30.

The 18 per cent advance came on the back of a 54m rise in turnover from continuing operations to \$46.3m.

The Glasgow-based group's activities take in packaging, plastic moulding and development.

Earnings emerged at 4.74p (4.04p) per share and the interim dividend is lifted from

an adjusted 1.55p to 1.44p.

Lord Macfarlane of Bearsden, chairman, said yesterday that there were now "a few signs of growth in the economy". He was confident that trading conditions would improve by the end of this year.

He added that this should lead to substantial investment opportunities.

In order to ensure that the group was placed to take advantage of opportunities Mr Gordon Lane, previously managing director of Abbots Packaging, has been appointed group development director.

His responsibility will cover

acquisition strategy and new products.

Lord Macfarlane said the improved results in part reflected "prudent financial housekeeping and strict control over costs". Almost all the companies in the group improved their performance.

Benefits of the cost-cutting programme undertaken in 1991 helped the group boost pre-tax profits for the 1992 year by 49 per cent to a record \$10.1m.

A significant number of jobs were cut and a squeeze put on stocks and debtors.

The shares added 2p yesterday to 216p.

Admiral advances 11% on market penetration boost

By David Blackwell

ADMIRAL, the Surrey-based computing services company, boosted pre-tax profits by 11 per cent to \$2.18m for the first half on the back of an improvement throughout its businesses.

The shares responded via a 10p rise to 470p.

Mr Clay Brandish, chairman, described the result for the six months to June 30 as "highly satisfactory".

He noted, in particular, increased market penetration of client server technology - through which the company enhances the efficiency of computer networks by utilising the power of personal computers and relegating the mainframe to a database.

Admiral was benefiting from related product sales and the resulting software develop-

ment, training and consultancy work.

Mr Brandish added that since the company was listed on the Stock Exchange in 1987, 80 per cent of its customers had returned to do further business.

Mr Ceri James, managing director, said the first half had seen a significant advance in all its market sectors. He was particularly pleased with the growth in industrial and commercial business, which now accounted for more than 25 per cent of turnover. Defence accounts for 30 per cent and the financial sector for 33 per cent.

Admiral has six autonomous operating companies - four in the UK, one in Australia and one in Singapore. The four UK companies provide information technology consultancy, systems development, training

and software products. The group has carried out development work for the Switch debit card and for the Tracker system of identifying and recovering stolen cars.

Turnover increased by almost 30 per cent to \$17.7m (\$13.6m) and operating profits by 20 per cent to \$2.06m. Net interest receivable fell from \$249,000 to \$129,000.

Mr James said group turnover had risen on higher product sales and the larger number of staff. At the end of the half year the company employed 660 people, compared with 602 at the end of last year and 508 at the end of 1991.

The Australian company was "doing well but not as well as expected".

Earnings per share rose to 13.3p (11.6p) and the interim dividend is lifted from 1.7p to 2p.

Reduced interest charges behind Bellwinch turnaround

A \$427,000 cut in interest charges to \$168,000 enabled Bellwinch, the Wembley-based builder, to edge back into the black at the pre-tax level for the year to end-June, writes John Murrell.

Profits worked through at \$28,000 and compared with a deficit of \$98,000.

The outcome also took account of an exceptional debit of \$133,000 relating to costs of the recent placing and open offer.

Turnover fell from \$23m to \$15.7m - the comparative figure included land sales. Earnings per share were

unchanged at 0.2p.

Since the early part of 1988 directors noted a "marked improvement" in the number of both site visitors and net reservations.

They pointed out, however, that the recovery in the market had "visibly slowed in recent weeks, with purchaser confidence being eroded by speculation on personal taxation and other economic issues".

Nonetheless, they said there was a "continuing demand" for new homes and provided there was stability in interest rates and "clearly defined economic

policies" they looked for improvements in both the level of output and margins over the next year or so.

It was pointed out that without the benefits of the funds from the placing and open offer, effected in June, borrowings would have been \$900,000, representing gearing of 23 per cent.

The inflow from the issue of new shares, which will be used to replenish land stocks and support growth plans, raised the company's net asset base to £10.5m and created a cash at bank position of £5.7m at June 30.

Seasonal deficit at Rhino increases to £263,000

By Garry Rimmer

IN LINE with directors' expectations, Rhino Group, the USM-quoted novelty products and software merchandising and distribution company, showed pre-tax losses of £263,000 for the six months to June 30, compared with £150,000.

The Future Zone Stores and Downpace subsidiaries are highly seasonal and the directors explained that the second six months "should benefit substantially from Christmas trading".

The group also announced an \$850,000 placing of 2.5m new

shares by Pannure Gordon. Proceeds will be used to bring forward the Future Zone opening programme enabling the group to have more than 40 stores open for the Christmas season.

First half turnover expanded from £1.26m to £3.6m and operating losses came to £236,000 against £131,000. Interest receivable was \$63,000 (£19,000 payable).

Losses per share were 0.52p (0.97p). The group said it was planning a capital reconstruction in order to eliminate losses and allow dividends to be paid in due course.

Future Zone, which started

the year with five stores, now has 28 trading, and Rhino has entered into a conditional agreement for Future to acquire six leasehold stores in prime locations. Consideration is £100,000 cash for one of the properties while the agreement includes rent-free periods for each of the others.

Downpace, the distributor of licensed merchandise, was trading well with turnover up 28 per cent.

Directors said that Downpace had the UK distribution licence for certain items of Jurassic Park merchandise, which was making a "positive impact in the second half".

Swire Group.			
SWIRE PACIFIC LIMITED			
1993 Interim Results - Highlights			
Consolidated results -- unaudited:			
	Six months ended 30th June		
	1993	1992	
	US\$M	US\$M	
Turnover	2,532	2,452	
Operating profit	341	436	
Net finance charges	28	39	
Net operating profit	313	397	
Associated companies	37	28	
Profit before taxation	350	425	
Taxation	54	40	
Profit after taxation	296	385	
Minority interests	63	103	
Profit attributable to shareholders	233	282	
Earnings per share:			
'A' shares	US14.6¢	US17.7¢	
'B' shares	US 2.9¢	US 3.55¢	
Interim dividends per share:			
'A' shares - HK\$29.0¢ (1992: HK\$29.0¢)	US3.74¢	US3.75¢	
'B' shares - HK\$5.8¢ (1992: HK\$5.8¢)	US0.75¢	US0.75¢	

Note: For the purposes of this announcement, the results of the Group have been translated from Hong Kong dollars, its currency of account, into United States dollars at an exchange rate of US\$1 = HK\$7.75 (1992: US\$1 = HK\$7.73), the approximate rate of exchange at 30th June.

Prospects

The strong results recorded by Swire Properties in the first half-year are expected to be sustained. The outlook for the aviation industry continues to be uncertain and consequently Cathay Pacific Airways' profit for the full year will be lower than that achieved in 1992, although not to the same extent as in the first half. Hong Kong Aircraft Engineering Company is expected to show good growth in earnings for the year. Better results are also expected generally from the other divisions in the Swire Pacific Group.

I expect that dividends for the full year will be not less than those paid in respect of 1992.

The interim dividends are payable on 6th October 1993 to shareholders registered at the close of business on 30th September 1993; the share registers will be closed from 27th September 1993 to 30th September 1993, both dates inclusive.

P D A Sutch
Chairman

Hong Kong, 26th August 1993

Swire Pacific Limited

MONTHLY AVERAGES OF STOCK INDICES

	August	July	June	May
FT-SE Actuaries Indices				
100 Index	3019.3	2850.7	2674.7	2630.1
Mid 250	3441.3	3226.5	3030.8	3147.1
350 Share	1513.5	1428.9	1454.0	1410.7
Industrial Group	1518.8	1430.6	1445.43	1431.20
500 Share	1614.32	1521.82	1539.22	1522.69
Financial Group	1130.74	1074.45	1048.84	1002.84
All-Share	1498.55	1413.38	1419.94	1387.10
Eurotrack 100	1284.88	1226.39	1183.38	1132.61
Eurotrack 200	1365.85	1280.39	1237.69	1214.30
FT Indices				
Government Securities	101.35	98.10	95.90	94.84
Fixed Interest	122.70	118.75	112.70	111.13
Ordinary	2371.0	2242.4	2248.2	2207.0
Gold Mines	205.5	225.2	186.1	171.4
SEAQ Bargains(5.00pm)	35.713	28.485	28.484	28.858
Highest Close Aug				
FT-SE 100	3100.6 (27th)		2941.3 (4th)	
FT-SE Mid 250	3613.3 (27th)		3355.3 (2nd)	
FT-SE 350	1552.2 (27th)		1472.8 (2nd)	
FT-All Share	1637.57 (27th)		1457.25 (2nd)	
Ordinary	2414.2 (31st)		2326.0 (2nd)	

FOR UP-TO-THE-MINUTE CURRENCY RATES DIAL:
0839 353530
(Sterling Rates)
0839 353531
(US Dollar Rates)

CITYLINE

Rates given against 22 major currencies

Nationwide

£300,000,000

Floating Rate Notes

Due 1996

(Second Series)

Notice is hereby given that the notes will bear interest at 6.1425% per annum from 31st August, 1993 to 30th September, 1993. Interest payable on 30th September, 1993 will amount to £25.24 per £50,000 note to £252.43 per £50,000 note.

Nationwide Building Society

Agents: Bank of America & Co., Limited

Britain's waterlogged bread basket

Unsettled weather is delaying harvesting and eroding grain quality

Bank workers and other office wallahs may be sunning themselves on a beach. But we farmers and our workers will be hard at it. Who was it who said it was the relaxed way of life that made us do it?

Disgruntled Colombian coffee growers get sweetener

coffee industry - and the government's announcement of a new study commission, which did not include federation representatives, seemed to confirm this.

However the latest price rise shows that the coffee growers still remain considerable influence in government circles.

● Robusta coffee futures prices fell back at the London Commodity Exchange yesterday after last week's big rise. The November position closed at \$1.261 a tonne, down \$20.

bu mnc cents/500 bushel		
Previous	High/Low	
669/2	669/0	655/4
674/2	673/0	658/0
681/0	679/0	664/0
684/6	684/0	670/0
688/0	686/0	672/0
689/0	687/0	675/0
685/0	682/0	672/0
000 lbs cents/b		
Previous	High/Low	
23.80	23.80	23.22
23.93	23.93	23.35
24.15	24.15	23.56
24.24	24.15	23.66
24.34	24.30	23.85
24.39	24.30	23.95

	High/Low	
previous	226/0	
5/1/76	228/0	
4/24/76	229/0	
4/19/76	249/0	
5/4/76	254/2	949/0
5/7/76	257/2	252/0
cc cents/500-bushel		
	High/Low	
previous	308/0	303/0
5/6/76	308/0	303/0

00/2		300/5		299/2	
rac, com/ras					
previous		High/Low			
5.025	75.200	74.775			
5.325	75.425	75.075			
5.500	75.825	75.400			
5.600	76.550	76.400			
5.275	73.350	73.050			
5.100	72.175	72.025			
com/ras					
previous		High/Low			
5.800	47.275	46.500			
5.500	46.450	45.900			
5.275	45.800	44.925			
5.050	44.150	43.500			
4.800	43.125	42.825			
4.200	40.125	40.150			

5,950	47,000	46,900
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THE UK SERIES

LONDON SHARE SERVICE

AMERICANS

Company	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	9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RESEARCH

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2.5	17.1	1.5	10.0	Mount Vernon
3.5	13.7	1.5	10.0	Mountain View
4.5	10.3	1.5	10.0	Muskegon County
5.5	6.9	1.5	10.0	Nash Mills
6.5	3.5	1.5	10.0	Nash Mills
7.5	0.1	1.5	10.0	Nash Mills
8.5	0.1	1.5	10.0	Nash Mills
9.5	0.1	1.5	10.0	Nash Mills
10.5	0.1	1.5	10.0	Nash Mills
11.5	0.1	1.5	10.0	Nash Mills
12.5	0.1	1.5	10.0	Nash Mills
13.5	0.1	1.5	10.0	Nash Mills
14.5	0.1	1.5	10.0	Nash Mills
15.5	0.1	1.5	10.0	Nash Mills
16.5	0.1	1.5	10.0	Nash Mills
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56.5	0.1	1.5	10.0	Nash Mills
57.5	0.1	1.5	10.0	Nash Mills

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33	28.1	5.2	Up-
233	73.9	9.7	tele
37½	123.4	1.8	Mon
7	18.8	-	An
388	1,403	4.4	outs
117	325.9	3.0	Call
87	327.8	8.7	for
310	873.2	5.8	
84½	481.9	3.3	

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (021) 873 4378 for more details.

(continued)

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar supported by GDP data

THE DOLLAR was well supported against both the D-Mark and the yen in yesterday's European trading after the second quarter GDP figures were revised up by more than the market had expected, writes James Blitz.

Second quarter GDP was revised up to 1.8 per cent from a previous 1.6 per cent, but the impact of the figure was all the greater because market expectations had been for a rise of only 1.1 per cent.

The strong data were backed up by reasonable consumer confidence figures. The conference board said that its index had fallen to 59.0 in August from 69.2 in July. But July's figure was an upward revision from 57.7 and the expectations for the August figure had only been for 57.2.

Altogether, these figures helped push the dollar to a high of DM1.6820 from a low of DM1.6675 in Europe. The dollar later closed at DM1.6780, up nearly a penny on the day, against the Japanese yen, the dollar closed at ¥104.70 from a previous ¥103.95.

Mr Ian Gunner, an economist at Chase Manhattan Bank in London, said that GDP data may give the dollar longer-term support because of

upward revisions in figures in previous years.

"In recent years, the Federal Reserve has been lowering interest rates in the belief that the economy needed a strong stimulus, but it might start to question that policy," he said.

However, Mr Gunner said that the immediate outlook for the dollar still depended on the non-farm payroll report for August, due on Friday. In the case of the dollar/yen rate, much will depend on the Japanese government's new fiscal stimulus package due to be delivered around September 20. There are signs that the authorities in Tokyo are seeking to water down the contents of this package. But the dollar may have received some encouragement from comments by the Japanese trade minister, who said that he wanted both a discount rate cut and a supplementary budget.

European trading was very

thin, even though many dealers were back in London from the summer vacation.

The D-Mark gained some strength from unusually tight conditions in the German money market, with call money seen at the 7.5 per cent level. But the French franc still managed to make headway against the German currency, closing at FF3.495 from a previous FF3.499.

The Danish krone also firmed against the D-Mark, ending at DKr4.15 in mid-morning, but later closing at around DKr4.0950.

Sterling closed 1/4 a penny down on the day at DM2.4950. Sterling markets continue to take a dim view of the prospects for a cut in British interest rates. But in British political party conferences are only a few weeks away, and some dealers believe that the prospect of another season of speculation on UK monetary policy is upon us.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change	% Spread	Overnight
Dutch Guilder	100	2.1937	-1.99	1.39	-
French Franc	100	1.6667	-	-	-
German D-Mark	100	1.0000	-	-	-
Italian Lira	1,000	1,936.27	-	-	-
Spanish Peseta	100	166.67	-	-	-
Portuguese Escudo	100	200.48	-	-	-
Yen	100	103.95	-	-	-
Belgian Franc	100	40.3399	-	-	-
Swiss Franc	100	1.4548	-	-	-
Irish Punt	100	7.8756	-	-	-

Each central bank rate is by the European Commission. Conversion rates are in decimal form. The rate between the D-Mark and the French franc is fixed at 6.5596. The rate between the D-Mark and the Italian Lira is fixed at 20.3606. The rate between the D-Mark and the Spanish Peseta is fixed at 166.67. The rate between the D-Mark and the Portuguese Escudo is fixed at 200.48. The rate between the D-Mark and the Yen is fixed at 103.95. The rate between the D-Mark and the Belgian Franc is fixed at 40.3399. The rate between the D-Mark and the Swiss Franc is fixed at 1.4548. The rate between the D-Mark and the Irish Punt is fixed at 7.8756.

Forward rates are for 12 months. The rate between the D-Mark and the Yen is fixed at 103.95. The rate between the D-Mark and the Belgian Franc is fixed at 40.3399. The rate between the D-Mark and the Swiss Franc is fixed at 1.4548. The rate between the D-Mark and the Irish Punt is fixed at 7.8756.

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FINANCIAL FUTURES AND OPTIONS

LIFFE LONG DOLLAR FUTURES OPTIONS
\$100 million of 100%

Strike	Calls-settle		Puts-settle		Strike	Calls-settle		Puts-settle	
Price	Dec	Mar	Dec	Mar	Price	Dec	Mar	Dec	Mar
112	2.24	1.57	1.28	0.83	9475	0.29	0.84	0.01	0.01
113	2.28	2.58	1.28	2.28	9520	0.27	0.81	0.01	0.01
114	1.57	2.27	1.57	2.61	9565	0.29	0.73	0.04	0.04
115	1.28	1.43	2.28	3.33	9590	0.01	0.22	0.23	0.23
116	1.04	1.39	3.04	4.08	9573	0	0.11	0.47	0.47
117	0.83	1.18	4.08	4.53	9600	0.01	0.03	0.72	0.72
118	0.35	1.02	4.35	5.36	9625	0	0.03	0.97	0.97
119	0.25	0.52	5.25	6.26	9650	0	0.01	1.22	0.01
Estimated volume total, Calls 2023 Puts 2281					Estimated volume total, Calls 64 Puts 0				
Previous day's open total, Calls 16542 Puts 14863					Previous day's open total, Calls 64 Puts 0				

CANADA

[illegible]

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FAR MORE THAN FINANCE.

4 pm close August 31

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

[illegible]

4 pm close August 31

[illegible]

Portier battle ends with surrender

AMERICA

Good news on GDP leaves Dow unmoved

Wall Street

US stock markets traded in a narrow range on either side of opening values yesterday morning in spite of gains in overseas equities and some unexpectedly good news on the domestic economy, writes Patrick Harverson in New York.

At 1 pm, the Dow Jones Industrial Average was down 2.24 at 3,641.75. The more broadly based Standard & Poor's 500 was 0.35 higher at 482.28, while the Amex composite was up 0.49 at 456.76, and the Nasdaq composite up 3.15 at a new record high of 740.53. Trading volume on the NYSE was 129m shares by 1 pm, and rises outnumbered declines by 940 to 842.

Prices drifted in directionless trading for the second consecutive day, with analysts noting that the markets traditionally move in narrow ranges in the days before the long Labor Day holiday weekend, which signals the end of summer.

Investors also failed to respond positively either to stronger markets overseas - Tokyo, Frankfurt and Paris shares were all higher overnight - or the commerce department's upward revision of its estimate of second quarter gross domestic product from an original 1.6 per cent increase to 1.8 per cent. The upward revision caught Wall Street off guard, because analysts had been predicting the GDP figures would be revised downward ever since the June merchandise trade data revealed a sharp weakening in export sales.

The lack of a strong reaction from equities was probably due to the decline in Treasury prices that was sparked by the GDP data. When longer-dated Treasuries recovered later in the morning, equities edged up with them, leaving the leading indices little changed by midday. Additional good economic news on consumer confidence

(the Conference Board's index rose this month) and manufacturing activity (the National Association of Purchasing Management's August index was also up) had little impact upon trading.

Airline stocks were in demand: UAL rose 3% to \$149, Delta put on 5% at \$54, and AMR, parent of American Airlines, gained 3% at \$97.

Among mostly firmer drug stocks, SmithKline-Beecham fell 1% to \$28, after the breaking house, Wertheim Schroder, downgraded the stock from a "buy" to a "sell", citing concerns about possible weak sales next year.

Another stock moving on a broker's report was WMX Technologies, which climbed 3% to \$32, in busy trading after Prudential Securities repeated its "strong buy" recommendation on the shares and predicted that earnings growth would accelerate over the coming year.

The Limited added 1/2% at \$23 3/4 in volume of 2.1m shares after the retail group announced a restructuring that includes shrinking or closing 360 stores by the end of 1995.

Canada

TORONTO was modestly higher at mid-session, the TSX 300 composite index rising 1.41 to 4,140.17 in volume of 29.2m shares valued at C\$322m. Advancing stocks exceeded declines by 294 to 274, with 316 unchanged.

Among the active Placer Dome was up C\$4 to C\$28 1/2, and Bank Nova Scotia up C\$1 to C\$25 1/2.

SOUTH AFRICA

SHARES were generally stronger, although volume was thin due to an absence of new factors to stimulate investors. The gold index gained 42 at 1,747, the industrial index rose 17 to 4,632 and the overall index added 25 at 4,035.

EUROPE

Bourse activity recovers as UK investors return

THE RETURN of the UK investor gave activity a boost, writes Our Markets Staff.

FRANKFURT hit a new three-year high as the DAX index rose 23.00 to 1,944.89; but it lost some of its gains in the afternoon, the Ibis-Indiced DAX closing at 1,931.85.

Turnover rose from DM5.8bn to DM11.1bn. Ms Barbara Altmann, al B Metzler in Frankfurt, said that equities had risen on the strong domestic bond market, where the average bond yield fell by another 5 basis points yesterday to 6.06 per cent.

Deutsche Bank reflected bond market gains as it rose DM16 to DM795, although it fell back to DM785.50 after hours. In the construction area, a buying order for Billfinger & Berger pushed it DM42 higher to DM960, and Heidelberg Zement rose DM55 to DM1,115.

Meanwhile, the market punished disappointing results. Hoechst, marginally below par on Monday, fell another DM1.30 to DM278.80 while BASF and Bayer rose by DM4.10 to DM257.90, and DM5.50 to DM301.40 respectively.

ASIA PACIFIC

Nikkei closes above 21,000 for first time since June

Tokyo

MOUNTING hopes of an imminent cut in the official discount rate continued to support share prices, and the Nikkei average closed above 21,000 for the first time since June 3, writes Emiko Terazono in Tokyo.

The 225-issue average ended 113.91 higher at 21,036.60, its sixth consecutive gain, after a volatile session dominated by profit-taking by institutional investors and buying by arbitrageurs and dealers.

Share prices firmed during the morning ahead of the government's emergency economic cabinet meeting. However, comments by Mr Hirohisa Fujii, the finance minister, ruling out the need to cut the discount rate, depressed sentiment later and the index fell to a day's low of 20,831.08.

FT-SE Actuaries Share Indices

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1322.48	1321.18	1322.46	1322.58	1324.11	1324.34	1320.51	1318.96
FT-SE Eurotrack 200	1402.64	1401.38	1400.03	1402.19	1402.09	1401.81	1397.80	1396.45

	Aug 27	Aug 28	Aug 29	Aug 30	Aug 31
FT-SE Eurotrack 100	1308.15	1298.45	1310.93	1295.82	1291.83
FT-SE Eurotrack 200	1397.96	1384.05	1385.82	1373.46	1374.90

Base was 1000 (20/10/1988). High/Low: 100 - 1255.95; 200 - 1405.35; 1000 - 1319.76; 200 - 1394.52.

Other names in the sin bin included Varta, the battery maker, Linotype, the printing machinery maker, and Karstadt, the stores group.

PARIS peaked again as the CAC-40 index improved 0.82 to 2,216.48, off the day's high of 2,222.87. Turnover was strong at FF4.7bn, after Monday's low FF2.7bn.

The expiry of August futures and options was a contributory factor to the market's gains, while optimism about imminent domestic interest rate cuts, possibly during this week, also lifted shares.

Elf Aquitaine was one of the few stocks to go against the trend, closing off FF2.70 at FF445.80 after a fall of nearly

60 per cent in first half profits. The oil group included a FF2.3bn write down of oil assets because of the weakness in international oil markets.

In contrast, Eli Sanofi, in pharmaceuticals, added FF1.1 to FF1,009 after satisfactory first half figures while BSN picked up FF2.25 to FF952, recovering all the ground it had lost at the end of last week because of alleged problems with glass bottles made by its Dutch subsidiary.

MADRID tried to blast its way into new high ground, but the gains did not hold and the general index closed 1.76 lower on the day at 303.12, after 305.06 at mid-session.

Turnover was strong at

Pta38.32bn. The afternoon was not enhanced by a New York downgrade of Regal by Donaldson, Lufkin and Jenrette, which removed the American Depositary Receipts from its recommended list. In Madrid, the shares fell Pta140 to Pta3,880.

ZURICH said that the CS Holding results were in line with expectations as the bearers eased SFRs to SFR2,350; the SMI index rose 7.1 to 2,488.1.

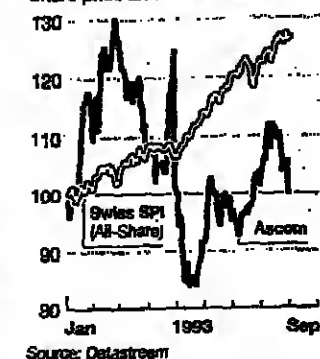
However, the telecommunications equipment manufacturer, Ascom, accelerated its downward trend. Down SFR70 on Monday ahead of a first half loss, it dropped another SFR10 to SFR1,140 after an early plunge in the shares led to a temporary suspension of trading.

AMSTERDAM maintained its forward momentum, with a rise in the CBS Tendency index of 1.5 or 1.1 per cent to 131.4. The market's rise was mainly concentrated in the morning session, with some profit-taking evident in the afternoon.

A firm bond market also supported equities, while technical factors assisted the rise in some stocks, notably Unilever,

Ascom

Share price and index rebounded



Source: Datastream

which put on F16.50 or 3.3 per cent, to F1203.90, mostly on short-covering.

Traders at Amsterdam brokers Pierson also noted switching out of cyclical into defensive stocks, such as Unilever, and commented that the overall market was now looking overbought; a technical correction was now both logical and healthy, they added.

MILAN retreated a little in a technical correction from recent high levels. The Comit

index finished down 1.02 at 631.84.

The construction and cement sectors remained active following the untangling of bottlenecks in public works projects by the government last week. Italmobiliare rose L96 to L46,276.

COPENHAGEN featured gains of DKr10 to DKr130 in East Asiatic on a turnaround prediction, and of DKr16 to DKr490 in Sophus Berendsen B after Monday's higher profits. The KFX index, unruffled by the state 1994 draft budget, gained a marginal 0.12 to 97.88.

VIENNA saw OMV fall Sch5 to Sch798 ahead of a statement by the oil group on its interim figures which are due to be announced next week. OMV said that it saw little change in its financial situation, having reported a first half loss in 1992. The ATX index rose 6.38 to L014.08.

TEL AVIV added another 2.4 per cent to Monday's gain of 1.1 per cent in reaction to political developments in the region and the cabinet's approval of the budget. The Mishkanim index rose 5.01 to 208.76 in turnover of Shk244m.

closed 107.73 firmer at 22,881.47 in volume of 37.9m shares.

Roundup

ACTIVITY IN the region was mixed, with Kuala Lumpur, India and Pakistan closed for holidays.

HONG KONG regained some of last week's losses, the Hang Seng index rising 126.75, or 1.7 per cent, to 7,549.73. Turnover came to HK\$3.8bn.

Activity was a little subdued ahead of interim results from HSBC Holdings, which came out after the close. In London the bank's half-year profits were adjusted to be much in line with expectations.

Hutchinson moved ahead 70 cents to HK\$23.40 on suggestions that it might sell its British Telecom interests.

SINGAPORE broke through the 2,000 level on late buying of Sembawang Shipyard. The

Straits Times Industrial index closed 13.56 higher at 2,006.66, rebounding from an intraday low of 1,977.35. Sembawang added 40 cents at S\$12.60.

SEOUL fell back as investors reacted with disappointment to government measures aimed to boost equity investment. The composite index shed 7.24 to 664.88 in 16.7m share volume.

TAIWAN retreated further on a late wave of selling, the weighted index closing off 31.41 at 3,992.04. Turnover remained thin, at NT\$1.4bn against Monday's NT\$9.5bn. The textile and paper sectors saw sharp declines, with Shihlin Paper losing NT\$1.50 to NT\$76 and Hualon, the textile manufacturer, falling 40 cents to NT\$18.10.

JAKARTA set another 1993 peak, the JKSE index closing 7.63 higher at 417.30. Banks were stronger, but Astra International, a star performer last Thursday, was corrected down

by Rp450 to Rp17,000 under continued selling pressure by foreign shareholders.

AUSTRALIA added a further 6.2 to the All Ordinaries index, which ended at 1,962.2. But activity was generally described as dull, reflected in modest turnover of A\$266.6m.

Among the blue chips, BHP and News Corp both added 6 cents to A\$16.18 and A\$9.88 respectively. The banking sector was strong as National Australia advanced 18 cents to A\$11.58 and Commonwealth 16 cents to A\$9.60.

NEW ZEALAND was slightly lower as Telecom receded after weakness in the US, shedding 4 cents to NZ\$3.80. The NZSE-40 capital index slipped 1.31 to 1,962.79.

Brierley Investments continued to buck the trend, rising a cent to NZ\$1.26, with speculation that a large asset sale was planned.

Buba introduces element of doubt

MARKETS IN PERSPECTIVE

	% change in local currency	% change in US \$	% change in UK £
	1 Week	4 Weeks	1 Year
Australia	+0.47	+5.56	+34.66
Belgium	-2.13	-1.36	+25.77
Denmark	-1.86	+6.13	+23.70
Finland	-3.13	+9.04	+177.87
France	+2.36	+5.25	+29.95
Germany	-1.04	+5.48	+25.36
Ireland	-0.46	+5.68	+44.29
Italy	+2.84	+11.82	+83.49
Netherlands	+1.06	+4.25	+29.04
Norway	-0.60	+5.70	+32.15
Spain	-3.89	+12.33	+50.78
Sweden	-2.15	+4.46	+55.53
Switzerland	-0.26	+3.24	+41.15
UK	+1.35	+6.02	+38.29
EUROPE	+0.89	+5.76	+37.35
Australia	+0.96	+5.34	+20.54
Hong Kong	-1.82	+4.46	+30.89
Japan	+0.60	+0.41	+23.36
Malaysia	+2.71	+9.85	+69.95
New Zealand	-1.10	+10.97	+11.57
Singapore	+1.00	+13.23	+50.39
Canada	+0.91	+3.84	+12.13
USA	+0.81	+2.85	+11.84
Mexico	+3.24	+9.71	+37.11
South Africa	-1.23	-5.63	+29.54
WORLD INDEX	+0.73	+2.77	+22.14

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By William Cochrane

Last week saw almost as striking a succession of new highs in global equity markets as did the week before. However, in continental Europe, the Bundesbank's decision to leave German key interest rates unchanged brought in an element of doubt.

Although the French and Spanish markets closed at new peaks last Friday, seven of the 13 Continental bourses featured in the FT-Actuaries World Index series produced declines on the week.

Nordic countries seemed to suffer from the sheer vigour of an earlier recovery in the financial sector: a drop of nearly 8 per cent in Swedish banking shares index last Tuesday was followed by one of 11.4 per cent in Finnish banks a day later, although the Stockholm market produced a big recovery last Friday.

Belgium, down 2.1 per cent on the week, was one of the few bourses to show a decline

in the month of August, never which Europe as a whole has been about 6 per cent ahead. Kleinwort Benson says that social policy reform, covering the method of financing social security, employment and competitiveness, offers the Belgian government its greatest political challenge so far.

Meanwhile, Mr David Roche of Morgan Stanley and his colleague, Mr Richard Davidson, look at the relationship between Germany, France and their respective equity markets. They say that last week's Bundesbank action confirmed that Germany is more concerned with its own domestic priorities than with preserving the structure of the ERM.

France now has the choice of continuing with the Swedish way of shadowing the D-Mark with high interest rates, they say, "or adopting the British way of cutting rates and stimulating a recessionary economy. We believe that it will adopt the latter course."

They expect the French market, therefore, to outperform Germany in the short term.



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